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**PROPOSAL FROM THE APPOINTMENTS AND REMUNERATION COMMITTEE REGARDING THE RE-ELECTION OF Mr. JAVIER MARTÍNEZ OJINAGA AS INDEPENDENT DIRECTOR, INCLUDED IN ITEM 5.1 OF THE GENERAL SHAREHOLDERS' MEETING AGENDA.**

**1.- INTRODUCTION**

This proposal is formulated by the CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA's ("CAF" or the "Company") Appointments and Remuneration Committee in accordance with the provisions of section 4 of article 529 decies and section 3 of article 529 quidecies of the Consolidated Text of the Spanish Corporate Enterprises Act (the "LSC") and article 15 of the Rules of the Board of Directors.

In accordance with the provisions of the aforementioned articles, this Committee is responsible for proposing the appointment or re-election of Board of Directors' independent members.

In preparing this proposal, the recommendations of the Technical Guide 1/2019 on Appointments and Remuneration Committees, published by the CNMV on February 27, 2019 (hereinafter, the "Technical Guide") and, in particular, those related to the performance of the Committee's function to prepare proposals for the appointment, re-election and separation of independent directors have been taken into account.

**2.-PURPOSE OF THE PROPOSAL**

The purpose of this proposal is to recommend the re-election of Mr. Javier Martínez Ojinaga as an Independent Director for the term of 4 years, foreseen in the Articles of Association.

**3.- ASPECTS CONSIDERED BY THE APPOINTMENT AND REMUNERATION COMMITTEE**

Due to the upcoming expiry of the four year term of office of Mr. Javier Martínez Ojinaga, who was designated by resolution of the Annual General Meeting of 13 June 2015, the Appointments and Remuneration Committee considers it suitable and convenient to propose his re-election as a Director on the grounds that include but are not limited to the following:

Mr. Javier Martínez Ojinaga is an economist and lawyer from Deusto University and holds an MBA from Glasgow University, in addition to other postgraduate courses as detailed in his CV. He has worked for the Iberdrola Group for several years, he works on project management and interim management projects since 2011. He was appointed a Director for the first time on June 13, 2015. Since October of that year he has held the position of Chairman of the Audit Committee. He does not belong to any other Board of Directors.

The Committee assessed the suitability of the candidate in accordance with the provisions of the Technical Guide, which among others, considers it as a good practice regarding the proposals for the re-election of Directors to take into account the same factors as in the first

election of the candidate, as well as to assess the performance of such director during the time of discharge of the function, together with the Director's ability to continue performing his duties satisfactorily.

During this evaluation process, the most appropriate abilities and knowledge for the position, as established in the Board's skills matrix, as well as other key aspects, such as availability, independence and a lack of conflict of interests.

As a result, the Committee has established that Mr. Martínez Ojinaga:

(i) Continues to comply with the requirements stipulated by law, as well as in the Rules of the Board of Directors and the Company's Directors Diversity and Selection Policy, to be appointed as a Director. The matter referred to diversity criteria is dealt with more specifically in the following section of this document.

(ii) He has not been subject nor is subject to any legal prohibition or incompatibility or any of the cases for tendering his resignation to the Board, according to Article 18 of the Rules of the Board of Directors of the Company.

(iii) Since his appointment, he has held the position of Director and Chairman of the Audit Committee satisfactorily, with the appropriate dedication and commitment to his role. He also has the availability of time and capacity required to continue fulfilling his obligations in an equally satisfactory manner.

(iv) He has the abilities and knowledge defined in the Board's matrix of competences for candidates for directors and, especially, for independent directors. In particular, he has extensive technical knowledge in accounting and auditing, as well as financial, internal control, risk and business management, which, together with his professional career, give him the ideal profile to continue in the position of Director and member of the Audit Committee.

(v) He continues to meet the statutory conditions and compliance with the Articles of Association which permit him to qualify as an Independent Director.

(vi) According to the information provided by the candidate, no potential conflicts of interest were identified that could negatively affect his ability to discharge his functions adequately or that could affect his current or future independence.

The results of the analysis carried out in relation to the appropriateness of his re-election in this position were also included in the minutes of the Committee meeting in which this question was discussed.

In addition, the candidate has ratified his commitment with the obligations of the position of Director as well as with the rules and policies of the Company.

In the light of the foregoing, the Committee considers Mr. Javier Martínez Ojinaga to be the ideal candidate and proposes his re-election as an Independent Director for the term of 4 years established in the Articles of Association. In accordance with the provisions of Article 2.6 of the Audit Committee Regulations, should he be re-elected by the General Meeting, he will continue to hold his position in this Committee without the need for a new appointment, unless the Board should adopt a different resolution.

#### **4. COMPLIANCE WITH THE DIVERSITY PRINCIPLES AND OBJECTIVES IN THE COMPOSITION OF THE BOARD OF DIRECTORS**

As stipulated in the Diversity and Selection Policy for Company Directors, as well as in the aforementioned Technical Guide, the Committee based its evaluation for the re-election of the candidate on the analysis of the needs of the Board of Directors and the Company to promote the diversity of knowledge, experience and gender among Board members, to ensure the absence of implicit bias that may imply discrimination based on age, gender, disability or any other condition of a personal nature.

To date, the Board consists of 2 Executive Directors, 5 Independent Directors, 1 Proprietary Director and 2 other Directors with the qualification of “other external directors”. Their training and experience is diverse. There is also a diversity of age and gender. The consequence of this is a balanced Board of Directors, consisting of 50 percent independent Directors, with highly professional qualifications and experience, aligned with the needs of the business and with the diversity of knowledge, age and gender. In particular, in relation to the promotion of gender diversity, already one third of CAF Board’s member are women, having reached the target of having at least 30% female directors set for year 2020.

In the light of the foregoing, this Committee considers that maintaining Mr. Martínez Ojinaga as a Director will help strengthen the diversity and balance in the current composition of both the Board of Directors and Audit Committee on the grounds of, among other reasons, his experience in project management and interim management, which is very valuable for the Board, while especially emphasising that he will contribute to upholding the proportion of independent Director in the Board, in line with the best practices in Corporate Governance.

#### **5. APPOINTMENTS AND REMUNERATION COMMITTEE CONCLUSIONS**

Consequently, the Committee considers the following proposal to be appropriate and raises it to the Board for submittal at the General Shareholders' Meeting, to be voted separately, under Item 5.1 of the agenda:

*“5.1 Re-election of Mr. Javier Martínez Ojinaga as Independent Director, for the statutory term of four years.”*

In San Sebastián, on May 7, 2019.