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PROPOSAL AND JUSTIFICATION REPORT BY THE BOARD OF DIRECTORS REGARDING THE APPOINTMENT OF MS. IDOIA ZENARRUTZABEITIA BELDARRAIN AS A DIRECTOR OF THE COMPANY, INCLUDED IN ITEM 5.1 OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS

1.- INTRODUCTION

In accordance with the provisions of article 529 decies of the revised text of the Capital Companies Act (the "Capital Companies Act"), and article 15 of the Regulations of the Board of Directors, the proposal for the appointment or re-election of the members of the Board of Directors who are not independent corresponds to the Board itself. This proposal must be accompanied by a report from the Board of Directors assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the general meeting or of the Board itself. The proposal for the appointment or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee.

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("CAF" or the "Company") has agreed to call a General Meeting of Shareholders on June 13, 2020 on first call, and on the following day on second call, including the following proposal under item 5 of the Agenda:

"Fifth:

(...)

5.4. Appoint Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director, for the statutory period of four years.

(...)"

The purpose of this report is: (i) to justify the proposed appointment of Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director for a period of four years, and (ii) to assess the competence, experience and merits of the proposed candidate. All of the above, in view of the previous report issued by the Nomination and Remuneration Committee in relation to this proposal, at a meeting held prior to this Board meeting.

The aforementioned prior report of the Committee is made available to the shareholders together with this report drafted by the Board.

It is also noted that, for the purposes of article 518 e) of the Capital Companies Act, this report contains full information on the identity, curriculum vitae and category of the candidate proposed for appointment.

2. JUSTIFICATION OF THE PROPOSAL

With regard to the proposal concerning the above appointment, the Board reports as follows:

2.1. Nomination and Remuneration Committee Report

At the date scheduled for the holding of the Annual General Shareholders' Meeting of this year, the term for which Mr. José Antonio Mutiloa Izaguirre, appointed Director by co-optation in October 2015 at the proposal of the significant shareholder Kutxabank, S.A., and subsequently ratified by agreement of the Annual General Shareholders' Meeting held on June 11, 2016, will have expired, originating the corresponding vacancy.

For his part, the referred significant shareholder has expressed to the Board his willingness to replace the director who represents him by Ms. Idoia Zenarrutzabeitia Beldarrain.

In relation to the above, the Nomination and Remuneration Committee has issued the required report, favorably evaluating the appointment of Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director, representing Kutxabank, S.A., for the statutory period of four years. In doing so, it has taken into consideration, among other things, the following factors:

Ms. Idoia Zenarrutzabeitia Beldarrain has a degree in Law, with the legal-economic specialty, from the University of Deusto. She has a long career in the political field, where she came to occupy, among others, the positions of Deputy in the Basque Parliament and Vice-President and Councilor of Finance and Public Administration of the Basque Government. She has also been a Director of the National Energy Commission and, subsequently, of the National Commission on Markets and Competition until 2017. She is currently a member of the Board of Trustees of various EPSVs of the BBK.

As a result of the assessment made, the Committee has found that the proposed candidate:

- (i) Complies with the legal requirements, as well as with the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, in order to be appointed as a director.
- (ii) She does not incur in any legal prohibition or incompatibility, nor in any of the cases in which she must place her position at the disposal of the Board, according to article 18 of the Regulations of the Board of Directors of the Company.
- (iii) She has the time and capacity required to fulfill her obligations in an equally satisfactory manner.
- (iv) She has the skills and knowledge necessary for board member candidates. In particular, her extensive technical knowledge acquired throughout her professional career is most valued, mainly in the public and regulatory sectors. It also highlights her experience in the exercise of management responsibilities as well as in the area of institutional relations, competencies that are considered valuable and suitable for the Board, according to the evaluation of the necessary profiles in it, carried out previously by this Commission.
- (v) She meets the legal and statutory requirements to be included in the category of Proprietary Director. The Committee has ascertained that the appointment of a Proprietary Director representing Kutxabank, S.A. is appropriate in view of the shareholding of the aforementioned significant shareholder in the Company and to the fact that the actual Proprietary Director named on behalf of the said significant shareholder will have expired for the holding of the Annual General Shareholders' Meeting.
- (vi) According to the information provided by the candidate, no potential conflicts of interest that might adversely affect her ability to perform her duties properly are identified.



The results of the analysis carried out in relation to the advisability of her appointment are also included in the minutes of the Committee meeting at which this issue was discussed.

Likewise, the candidate has ratified her conformity with the obligations of the position of Director as well as with the rules and policies of the Company.

Consequently, the Committee has reported favorably on the appointment of Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director for the statutory period of four years.

2.2. Justification of the Proposal

Within the framework of the foregoing, in accordance with the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, and taking into consideration the reasons stated by the Nomination and Remuneration Committee (which the Board endorses), the Board of Directors considers that:

Ms. Idoia Zenarrutzabeitia Beldarrain has competence, experience and proven merits that add value to the Company, and she fulfills the conditions to be appointed as a member of the Board of Directors. The Board highly values, among other aspects, her broad knowledge in the public and regulatory sectors, her experience in management positions, as well as her willingness to exercise her own functions as a director. All reasons that justify the proposal for her appointment.

Likewise, her re-election allows for the strengthening of the diversity of capacities and gender within the Board, with the presence of a woman executive, in line with the best practices of Good Governance.

3. CONCLUSION AND PROPOSAL FOR AGREEMENT

In view of the foregoing, the Board considers the following proposed resolution to be justified and submits it to the General Meeting of Shareholders for decision under item 5.1 of the agenda:

Fifth:

5.1. Appoint Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director, for the statutory period of four years.

(...)"

In Beasain, May 6, 2020.