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BOARD OF DIRECTORS' REPORT 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

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, SA ("CAF" or the "Company") Appointments and Remuneration Committee has proposed the re-election of Mr. Javier Martínez Ojinaga as Independent Director of the Company.

In accordance with the provisions of Section 4 of Article 529 decies and Section 3 of Article 529 quindecies of the Consolidated Text of the Spanish Corporate Enterprises Act (the "LSC"), and Article 15 of the Rules of the Board of Directors, the Appointments and Remuneration Committee is responsible for proposing the appointment or re-election of independent members of the Board of Directors.

In line with the provisions of Section 5 of Article 529 decies of the LSC, such a proposal must be accompanied by a supporting report issued by the Board of Directors, in which the competence, experience and merits of the proposed candidate are assessed, and such a report is to be attached to the minutes of the General Meeting or of the Board itself.

This report is issued under the aforementioned article, and aims to (i) endorse and report favourably upon the proposal from the Appointments and Remuneration Committee to re-elect Mr. Javier Martínez Ojinaga as an Independent Director for the term of 4 years established in the Articles of Association; and (ii) assess the competence, experience and merits of the proposed candidate.

The aforementioned proposal of the Committee is made available to the shareholders along with the current report from the Board.

It is also stated that this report contains full information on the identity, CV and category of the proposed candidates for the purposes of Article 518 (e) of the LSC.

2. SUBSTANTIATION OF THE REPORT

2.1. Proposal of the Appointments and Remuneration Committee

For the purpose of elaborating this report, the Board of Directors has taken into account the relevant proposal from the Appointments and Remuneration Committee, which the Board fully endorses.

According to the abovementioned proposal, 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 has considered it advisable and appropriate 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.

Likewise, the Committee has assessed the suitability of the candidate in accordance with the provisions of the Technical Guide 1/2019 of the CNMV on Appointments and Remuneration Committees 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, have been taken into consideration.

Particularly, the Committee highlights the following aspects regarding Mr. Martínez Ojinaga:

- (i) 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.
- (ii) He also has the availability of time and capacity required to continue fulfilling his obligations in an equally satisfactory manner, and
- (iii) 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.

In light of the obtained conclusions, the Committee has proposed the re-election of Mr. Javier Martínez Ojinaga as a Company Director, with the category of Independent Director, for the statutory term of 4 years.

2.2. Substantiation of the Proposal

Taking account of the reasons raised by the Appointments and Remuneration Committee (which the Board endorses), the Board of Directors considers that:

The experience and professional curriculum of Mr. Javier Martínez Ojinaga accredit both his competence and merits to hold the position of Director as he meets the requirements of suitability and solvency necessary to continue in office in accordance with the provisions of the law and internal regulations.

The Board values highly the outstanding contribution of Mr. Martínez Ojinaga to the good management of Company's interests, both in the Board and, particularly, in the Audit Committee, and thus considers it justified and appropriate to re-elect him for the position of

Independent Director for the statutory term of four years.

In addition, the Board considers that the continuity of Mr. Martínez Ojinaga as a Director will help strengthen the existing diversity and balance in the composition of the Board of Directors, mainly based on his knowledge and professional specialisation. In this regard, the candidate's experience in project management and interim management, which is very valuable to the Board, is notable, as well as the fact that his re-election will allow upholding high independent Director standards in line with the best practices in Corporate Governance.

It is hereby noted that, in accordance with the provisions of Article 2.6 of the Audit Committee Regulations, if the Director is re-elected by the General Meeting, he will continue to hold his position in this Committee without the need for a new appointment.

3. CONCLUSION AND PROPOSAL FOR RESOLUTION

For all the above reasons, the Board considers the following proposal justified and submits it to the General Shareholders' Meeting for decision by separate vote under Item 5.1 of the Agenda:

"Fifth

5.1 Re-election of Mr. Javier Martínez Ojinaga as Independent Director, for the term of four years established in the Articles of Association.

(...)"

In San Sebastián, on May 7, 2019.