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**PROPOSAL FROM THE APPOINTMENTS AND REMUNERATION COMMITTEE REGARDING THE APPOINTMENT OF Mr. IGNACIO CAMARERO GARCÍA AS INDEPENDENT DIRECTOR, INCLUDED IN ITEM 5.2 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 appointment of Mr. Ignacio Camarero García as an Independent Director for the term of four years, established in the Articles of Association.

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

This Committee has analysed the current composition and requirements of the Board of Directors, pursuant to its Rules and the Diversity and Selection Policy for Company Directors of CAF which, amongst other principles, includes promoting the diversity of knowledge, experience and gender among members of the Board of Directors. The Committee has also taken Corporate Governance recommendations into account which recommend favouring the presence of independent directors.

Based on this analysis, the inclusion of a new independent director with experience in executive management and who can provide additional knowledge and experience to the Board, particularly regarding Information Technology, in line with the company's strategic goals, is deemed appropriate.

On the scheduled date of the General Annual Shareholders' Meeting, the designated term of office of two directors will have elapsed, whereby their positions will have expired, leaving two vacant positions on the Board.

In order to fill these vacant positions, this Committee has issued a proposal to re-elect one director to be submitted to the Meeting under Item 5.1 of the agenda, and has drawn up the present proposal to appoint a new independent director to be voted on under Item 5.2 of the agenda.

The Committee has evaluated potential candidates who meet the required skills, professional experience and knowledge currently required by the Board to achieve broader diversity, according to its skills matrix. During this selection process, the career, experience and professional merits of Mr. Ignacio Camarero García have been extensively analysed. The following aspects are worth mentioning:

Mr. Ignacio earned a Physical Science Degree at the University of Valladolid. He has worked at both national and international companies, in the Telecommunication and IT industries, holding various top management positions. Amongst others, he held the positions of Manager of Engineering and Network Development at Telefónica España, Vodafone-Airtouch Technology Manager, or Motorola España Operations Manager, where he was elected Chairman of the company in Spain and Vice Chairman of the International Organisation. He is currently a member of the Advisory Board of Ericsson España and Accenture.

The Committee has evaluated the candidate's suitability, in accordance with the provisions of the Technical Guide, as well as the competences and knowledge foreseen in the Board's skills matrix, together with other key aspects such as availability, independence and the non-existence of conflicts of interest.

As a result, the Committee has established the following regarding Mr. Camarero García:

- (i) He complies with the requirements to be appointed as a Director, stipulated by law, as well as by the Rules of the Board of Directors and the Company's Directors Diversity and Selection Policy. The diversity question is dealt with more specifically in the following Section.
- (ii) He is not subject to any legal prohibition or incompatibility or any of the cases in which he must tender his resignation to the Board, according to Article 18 of the Rules of the Board of Directors of the Company.
- (iii) He has availability of time and capacity required to appropriately perform his obligations as a director.
- (iv) He has the competence and knowledge established in the Board's skill matrix, in particular, for independent directors.

Specifically, he has extensive technical knowledge of the Telecommunications and IT sectors as well as noteworthy professional experience in executive management and his international experience, all of which make this candidate suitable for the Director's position.

- (v) He complies with the legal and statutory requirements 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 compromise his current or future independence.

The results of the analysis carried out in relation to the pertinence of his appointment 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 of the regulations and policies of the Company.

In the light of the foregoing, the Committee considers Mr. Ignacio Camarero García to be a suitable candidate and proposes his appointment as an Independent Director for the term of four years established in the Articles of Association.

#### **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 of the suitability 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, by applying criteria to ensure the existence of adequate diversity in its composition and the absence of implicit bias that may imply discrimination based on age, gender, disability or any other condition of a personal nature.

In line with the criteria of incorporating prestigious professionals in the Board, this Committee believes that appointing Mr. Ignacio Camarero García as a Director will: (i) reinforce diversity in terms of capacity, experience, merits and skills (ii) add value to the Board, given the candidate's extensive knowledge of the technological and digital sector, as well as his noteworthy international experience in Technology and Operations Areas in market-leading companies, all of which is extremely valuable for the Company, and (iii) increase the number of independent Directors, in agreement with Corporate Governance best practices.

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

Consequently, the Committee considers the following proposal to be substantiated and raises it to the Board for submission to the General Shareholders' Meeting, to be voted separately, under Item 5.2 of the agenda:

**"Five:**

(...)

*"5.2 Appointment of Mr. Ignacio Camarero García as an Independent Director, for the statutory term of four years."*

Should this proposal be passed, together with that previously put forward for submission to the General Meeting under Item 5.1 of the agenda, and once both appointments have been accepted, the Board of Directors will maintain its currently fixed composition of ten members.

In San Sebastián, on the 7th May, 2019.