

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

END OF FISCAL YEAR DATE

31/12/2015

EMPLOYER'S IDENTIFICATION NUMBER (CIF):

A20001020

COMPANY NAME

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A

REGISTERED OFFICE

JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GUIPUZCOA

ANNUAL CORPORATE GOVERNANCE REPORT

FOR LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	3,428,075	3,428,075

Indicate whether different types of shares exist with different associated rights:

Yes

No

A.2 List the direct and indirect holders of significant ownership interests in the Company at year-end, excluding directors:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
TEMPLETON INVESTMENT COUNSEL, LLC	0	103,888	3.03%
CARTERA SOCIAL, S.A	892,780	0	26.04%
INVESCO LIMITED	0	35,007	1.02%
KUTXABANK, S.A.	653,256	0	19.06%
BESTINVER GESTIÓN S.A., S.G.I.I.C.	0	105,759	3.09%

Name or company name of indirect holder of ownership interest	Via: Name or company name of direct holder of ownership interest	Number of voting rights
TEMPLETON INVESTMENT COUNSEL, LLC	GROUP COMPANIES	103,888
INVESCO LIMITED	GROUP COMPANIES	35,007
BESTINVER GESTIÓN S.A., S.G.I.I.C.	BESTINVER PENSIONES EGPF, S.A.	105,759

Indicate the most significant movements in the shareholder structure during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
BESTINVER GESTIÓN S.A., S.G.I.I.C.	09/09/2015	Ownership interest has risen above 3% of share capital

A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of director	Number of direct voting rights	Number of indirect voting rights	% over total voting rights
MR. JOSE IGNACIO BERROETA ECHEVARRIA	110	0	0.00%
MR. XABIER GARAIALDE MAIZTEGUI	75	0	0.00%
MR. JUAN JOSE ARRIETA SUDUPE	100	0	0.00%

Fill out the following tables on the members of the Company's Board of Directors who hold rights over shares in the Company

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related name or company name
CARTERA SOCIAL, S.A
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Type of relationship: Contractual

Brief description:

Workers' share instrument in CAF

Related name or company name
KUTXABANK, S.A.
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Type of relationship: Corporate

Brief description:

Creation of an economic interest group for projects with Metro Barcelona and Serveis Ferroviaris de Mallorca

A.6. Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Corporate Enterprises Act ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes

No

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. Give a brief description as applicable:

Yes

No

Expressly indicate any amendment to or termination of such agreements or concerted action during the fiscal term:

Not applicable

A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 4 of the Securities' Market Law. If so, identify:

Yes

No

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of shares held directly	Number of indirect shares (*)	Total % on share capital
0	0	0.00%

(*) Through:

Give details of any significant changes during the year, pursuant to Royal Decree 1362/2007.

Explain the significant changes

A.9. Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The CAF General Meeting held on 13 June 2015 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates. b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law. c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law. d) Acquisitions shall be done at market price. e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force. f) This authorisation shall be valid for a five-year term. This authorisation disregards the authorisation granted by resolution of General Shareholders' Meeting held on 5 June 2010.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	47.76

A.10. Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes

No

A.11. Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes

No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes

No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL MEETING

B.1 State if there are differences with the quorum provisions of the Companies Law in respect of General Meetings. If so, give details.

Yes

No

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC.

Yes

No

Describe how they differ from the rules established in the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. Specifically, the required majorities for amending the bylaws shall be informed, as well as the provisions set forth for safeguarding the rights of the shareholders during the bylaw amendments, as the case may be.

The General Shareholders' Meeting shall be competent to agree on the amendments to the Bylaws. To adopt agreements on the issue of corporate bonds, the capital increase or reduction, the elimination or restriction of pre-emptive rights over new shares, the Company's transformation, merger or spin-off or overall assignment of assets and liabilities and the transfer of its domicile abroad and, in general, any amendment to the Bylaws, the Shareholders' Meeting shall be required to have a quorum of at least 50% of the subscribed capital with voting rights at the first call, present either in person or by proxy. On second call, the attendance of 25% percent of that share capital shall suffice. When shareholders representing 25% or more but less than 50% of the subscribed capital with the right to vote attend the meeting, such resolutions may only be validly adopted with the favourable vote of two thirds of the capital, present or represented, at the General Meeting. Shareholders with one hundred or more shares in the Company may attend the General Shareholders' Meeting and take part in the discussions with a right to speak in the debates, as well as vote. Those holding less than a hundred shares may group together and give their share to another shareholder who can then total one hundred or more shares. All shareholders eligible to attend the Meeting may be represented at the General Meeting by another person, even if this person does not have the status of shareholder.

B.4 Indicate the data on attendance at the General Meetings held in the year to which this report refers and those related to the previous year:

Date of General Meeting	Attendance data				Total
	% attendance in person	% attendance by proxy	% remote voting		
			Electronic vote	Other	
07/06/2014	46.35%	27.29%	0.00%	0.00%	73.64%
13/06/2015	45.63%	24.77%	0.00%	0.00%	70.40%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings:

Yes

No

Number of shares required to attend a General Meeting	100
--	-----

B.6 Section repealed.

B.7 Indicate the address and mode of accessing corporate governance content on the company's website as well as other information on General Meetings which must be made available to shareholders on the website.

The corporate information is available under "Shareholders and investors" of the corporate website (www.caf.net). The complete path is <http://www.caf.es/es/accionistas-inversores/index.php>.

This link includes, in a structured format, the information required by Royal Decree-Law 1/2010, of 2 July, which approved the Consolidated Companies Law, the Consolidated Securities Market Law, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 13 June, on technical and legal specifications and information to be contained in the websites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Rules of Conduct within the sphere of Stock Markets; structure of the Board of Directors and its committees; Corporate Governance Annual Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, and other regulations and codes).

In addition, the subsection "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the agreements reached after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, a direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Complete the following table with Board members' details.

Name or corporate name of director	Representative	Director's status	Position in the Board	Date of first appoint.	Date of last appoint.	Procedure for election
MR. ANDRES ARIZKORRETA GARCIA		Executive	CHAIRMAN AND CEO	26/12/1991	08/06/2013	APPOINTED AT THE ANNUAL GENERAL MEETING
MR. JUAN JOSE ARRIETA SUDUPE		Independent	DIRECTOR	07/06/2008	08/06/2013	APPOINTED AT THE ANNUAL GENERAL MEETING
MR. JAVIER MARTINEZ OJINAGA		Independent	DIRECTOR	13/06/2015	13/06/2015	APPOINTED AT THE ANNUAL GENERAL MEETING
MR. JOSE ANTONIO MUTILOA IZAGUIRRE		Proprietary	DIRECTOR	28/10/2015	28/10/2015	COOPTION
MR. ALEJANDRO LEGARDA ZARAGÜETA		Other External	DIRECTOR	26/12/1991	13/06/2015	APPOINTED AT THE ANNUAL GENERAL MEETING
MR. JOSE IGNACIO BERROETA ECHEVARRIA		Independent	DIRECTOR	07/06/2008	08/06/2013	APPOINTED AT THE ANNUAL GENERAL MEETING

Name or corporate name of director	Representative	Director's status	Position in the board	Date of first appoint.	Date of last appoint.	Procedure for election
LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	08/06/2013	APPOINTED AT THE ANNUAL GENERAL MEETING
XABIER GARAIALDE MAIZTEGUI		Independent	DIRECTOR	18/11/2004	13/06/2015	APPOINTED AT THE ANNUAL GENERAL MEETING

Total number of directors	8
----------------------------------	---

Indicate any removals of directors during the reporting period:

Name or corporate name of director	Director's status upon termination	Date of termination
FERMIN ARRESE ARRATIBEL	Other External	29/04/2015
JOSE MIGUEL DE LA RICA BASAGOITI	Other External	29/04/2015
KUTXABANK, S.A.	Proprietary	26/10/2015
JOSE MARIA BAZTARRICA GARIJO	Executive	29/12/2015
MARIA JOSE DE LARREA GARCIA-MORATO	Independent	21/07/2015

C.1.3 Fill out the following tables on the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position per Company organisation chart
ANDRES ARIZKORRETA GARCIA	Chairman and CEO

Total number of executive directors	1
% of the board	12.50%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or corporate name of director	Name or company name of significant shareholder represented or proposing appointment
JOSE ANTONIO MUTILOA IZAGUIRRE	KUTXABANK, S.A.

Total number of proprietary directors	1
% of the board	12.50%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or corporate name of director:

MR. JOSE IGNACIO BERROETA ECHEVARRIA

Profile:

Degree in economics and business administration. The main part of his broad professional experience has been undertaken in companies within the energy and financial sectors, holding high responsibility positions.

Name or corporate name of director:

JUAN JOSE ARRIETA SUDUPE

Profile:

PhD in economics and business administration. He has a broad experience in the management of renowned financial entities and business schools.

Name or corporate name of director:

XABIER GARAIALDE MAIZTEGUI

Profile:

He has a broad experience in companies within the financial sector and has been a member of the Board of Directors in different companies.

Name or corporate name of director:

JAVIER MARTINEZ OJINAGA

Profile:

Solicitor and economist. He has developed is professional career in companies within the electric sector as well as in project management and interim management. Has a broad experience in accounting and auditing.

Total number of independent directors	4
Total % of the Board	50.00%

Indicate whether any independent director receives any sums of money or benefits from the Company or from the Company's group, other than the directors' remuneration, or whether he or she currently has or formerly had, over the last year, a business relationship with the Company or with any Group company, whether on his/her behalf or as a significant shareholder, director or senior executive of an entity currently or formerly maintaining such a relationship.

If so, please include a well-founded statement by the Board of Directors regarding the reasons why it considers this director suitable to perform duties as an independent director.

OTHER EXTERNAL DIRECTORS

Other External directors will be identified and reasons will be provided on why these Other External directors cannot be considered either proprietary or independent members and their relations, whether with the company or its officers, or with its shareholders:

Name or corporate name of director:

LUIS MIGUEL ARCONADA ECHARRI

Company, officer or shareholder with whom relation is maintained:

LUIS MIGUEL ARCONADA ECHARRI

Reason:

Director Luis Miguel Arconada Echarrri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.

Name or corporate name of director:

ALEJANDRO LEGARDA ZARAGÜETA

Company, officer or shareholder with whom relation is maintained:

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Reason:

Director Alejandro Legarda Zaragüeta has been CAF Managing Director until fiscal year 2014.

Total number of Other External directors	2
Total % of the Board	25.00%

Indicate any variations in the status of each director that may have occurred during the year:

Name or corporate name of director	Date of change	Previous status	Current status
JOSE IGNACIO BERROETA ECHEVARRIA	25/02/2015	Other External	Independent
JUAN JOSE ARRIETA SUDUPE	25/02/2015	Other External	Independent
XABIER GARAIALDE MAIZTEGUI	25/02/2015	Other External	Independent

C.1.4 Fill out the following table with the information regarding the number of female directors during the last 4 fiscal years, as well as the nature of those female directors:

	Number of female directors				% of total directors of each type			
	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Committee	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	0	0	0	0	0.00%	0.00%	0.00%	0.00%

C.1.5 Explain the measures that would have been adopted, as the case may be, to attempt to include a number of women in the Board of Directors so as to reach a balanced number of men and women.

Explanation of the measures

The company attempts to include a number of women in the Board of Directors so as to reach a balanced number of men and women.

The Nomination and Remuneration Committee has proposed the appointment of a female director this year, who was appointed by the General Meeting but then resigned, generating the subsequent vacancy. In addition, CAF has approved a Directors' Selection Policy aimed at, among others, favouring gender diversity in appointing the members of the Board of Directors, pursuant to recommendation 14 c) under the Code of Listed Companies' Good Governance, and articles 529 bis and 529 quincecies of Companies Law. Particularly, the express purpose of the Directors' Selection Policy is that the number of female directors represent at least thirty percent of all Board of Directors' members by year 2020.

In order to attain as much compliance as possible with corporate governance rules, the Board of Directors has established an action plan in its evaluation report to be followed-up during fiscal year 2016, which includes considering the gender diversity criterion in the future Board appointments, particularly facilitating the selection of female directors.

According to such action plan, during the first Board of Directors' meeting held in fiscal year 2016, with the prior favourable report from the Nomination and Remuneration Committee, a new female director was appointed by cooption.

C.1.6 Explain the measures that would have been decided by the Nomination Committee, as the case may be, so that the selection processes are free of implicit biases hindering the selection of female directors, and so that the Company may deliberately headhunt and include among the potential candidates, women with the sought-after professional profile:

Explanation of the measures

CAF's Nomination and Remuneration Committee ensures that, in covering new vacancies, the selection processes used are not implicitly impartial and do not hinder the selection of female directors, thus including women with the expected profile among potential candidates under the same conditions. Such role appears in point 3 of the Company's Nomination and Remuneration Committee, as approved by the Board of Directors.

The Nomination and Remuneration Committee has proposed the appointment of a female director in fiscal year 2015, who was appointed by the General Meeting but then resigned.

In addition, in the Nomination and Remuneration Committee's Report on the Board of Directors' annual evaluation issued in fiscal year 2015, this Committee has expressly proposed as an action plan for the following fiscal year that such body consider the gender diversity criterion to select its members, as set forth in such Committee's evaluation report on its own performance.

In line with this recommendation, during its first 2016 meeting, the Nomination and Remuneration Committee proposed CAF's Board of Directors to appoint a new female director by cooption.

If in spite of the measures that have been adopted, as the case may be, the number of female directors is low or nil, please provide the reasons:

Description of the reasons

The Company's Annual General Meeting, held on 13 June 2015, agreed to appoint an independent female director for a term of four years. However, in July 2015, the female director resigned from her position for personal reasons, which is the reason why there is no gender diversity in the Company's Board of Directors at the end of fiscal year 2015. However, subsequently, the Company's Board of Directors appointed a new female director by cooption during its first meeting in fiscal year 2016.

C.1.6 bis Explain the Nomination Committee's conclusions on the verification of the compliance with the directors' selection policy. Particularly, explain how such policy is promoting the goal whereby the number of female directors should reach 30% of the Board of Directors' total members by 2020.

Explanation of the findings

The Directors' Selection Policy was approved by the Board of Directors on 28 October 2015, which is why it was not fully applied during this fiscal year.

However, the Nomination and Remuneration Committee considers that both the Board of Directors and the Committee itself have reasonably complied with such policy during its short effective term since it was approved and expects to have more implementation and follow-up opportunities throughout 2016.

A proof of this is the appointment by cooption of a new female director during the first Board of Directors' meeting held in fiscal year 2016.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

Significant shareholder KUTXABANK, S.A. is represented on the Board of Directors through Mr. Jose Antonio Mutiloa Izaguirre.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

State if formal requests for a presence of the Board have been rejected from shareholders with a shareholding equal to or greater than that of others who have been successfully appointed proprietary directors. If so, explain why these requests have not been entertained:

Yes

No

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

Name of director:

FERMIN ARRESE ARRATIBEL

Reasons for resignation:

Resignation notified in writing to the Board of Directors, for personal reasons.

Name of director:

JOSE MIGUEL DE LA RICA BASAGOITI

Reasons for resignation:

Resignation notified in writing to the Board of Directors, for personal reasons.

Name of director:

KUTXABANK, S.A.

Reasons for resignation:

Resignation notified in written to the Board of Directors, for personal reasons.

Name of director:

JOSE MARIA BAZTARRICA GARIJO

Reasons for resignation:

Resignation notified in writing to the Board of Directors, for personal reasons.

Name of director:

MARIA JOSE DE LARREA GARCIA-MORATO

Reasons for resignation:

Resignation notified in writing to the Board of Directors, for personal reasons.

C.1.10 Indicate what powers, if any, have been delegated to the managing director(s).

Name or corporate name of director:

ANDRES ARIZKORRETA GARCIA

Brief description:

Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.11 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Does he hold any executive positions?
ANDRES ARIZKORRETA GARCIA	CAF RAIL AUSTRALIA PTY LTD	Chief Executive Officer	YES
ANDRES ARIZKORRETA GARCIA	CAF TURK SANAYI VE TICARET LIMITED SIRKETI	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF DEUTSCHLAND GMBH	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF NEW ZEALAND LIMITED	Director	YES
ANDRES ARIZKORRETA GARCIA	CAF TAIWAN LTD.	Chairman	YES
ANDRES ARIZKORRETA GARCIA	CAF CHILE, S.A.	Chairman	NO
ANDRES ARIZKORRETA GARCIA	CAF ARGELIA EURL	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF FRANCE SAS	Chairman	YES

Name or corporate name of director	Corporate name of the group entity	Position	Does he hold any executive positions?
ANDRES ARIZKORRETA GARCIA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	TRENES DE NAVARRA, S.A.U.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U.	Joint and Several Director	YES
ANDRES ARIZKORRETA GARCIA	CAF INDIA PRIVATE LTD	Managing Director	YES
ANDRES ARIZKORRETA GARCIA	GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS, S.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF POWER AND AUTOMATION, S.L.U.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	NUEVAS ESTRATEGIAS DE MANTENIMIENTO, S.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	ENNERA ENERGY AND MOBILITY, S.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	RAIL LINE COMPONENTS, S.L.U	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CENTRO DE ENSAYOS Y ANALISIS CETEST, S.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CONSTRUCCIONES FERROVIARIAS DE MADRID, S.L.U.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	CAF TRANSPORT ENGINEERING, S.L.	Sole Director	YES
ANDRES ARIZKORRETA GARCIA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
ALEJANDRO LEGARDA ZARAGÜETA	FERROCARRILES SUBURBANOS S.A.P.I. DE C.V.	Chairman and Non-Executive	NO

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:

Name or corporate name of director	Corporate name of the group entity	Position
ALEJANDRO LEGARDA ZARAGÜETA	VISCOFAN, S.A.	DIRECTOR
ALEJANDRO LEGARDA ZARAGÜETA	PESCANOVA, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit:

Yes

No

C.1.14 Section repealed.

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board remuneration (thousands of Euros)	1,477
Amount of the pension rights accumulated by current directors (in thousands of Euros)	0
Amount of the pension rights accumulated by former directors (in thousands of Euros)	0

C.1.16 Identify the senior executives who are not executive Directors, and indicate the total remuneration accrued for them during the year:

Name or corporate name	Position
JESUS ESNAOLA ALTUNA	CHIEF COMMERCIAL OFFICER
AITOR GALARZA RODRIGUEZ	CHIEF FINANCIAL AND STRATEGY OFFICER
IÑIGO ONA LARUMBE	CHIEF OPERATING OFFICER
IBON GARCIA NEILL	RAIL SERVICES DIRECTOR
FELIX FERNANDEZ LOPETEGUI	PROJECT MANAGEMENT DIRECTOR
JOSU VILLAR ELORZA	QUALITY AND SAFETY DIRECTOR
EDUARDO GALVEZ LISON	CHIEF TECHNICAL OFFICER
JUAN GASTESI IRIARTE	HUMAN RESOURCES DIRECTOR
EDUARDO ECHEVERRIA ARRATIBEL	CORPORATE DEVELOPMENT DIRECTOR
MARTA BAZTARRICA LIZARBE	GENERAL COUNSEL
JOSU IMAZ MURGUIONDO	WHEELSETS DIVISION DIRECTOR
MIKEL ORTEGA AÑORGA	INTERNAL AUDITOR
IRUNE LOPEZ FERNANDEZ	INTERNAL AUDITOR
LUIS TERRADILLOS ANDRES	CHIEF FINANCIAL OFFICER

Total remuneration of senior executives (thousand Euros)	2,262
---	-------

C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Name or corporate name of significant shareholder	Position
ALEJANDRO LEGARDA ZARAGÜETA	CARTERA SOCIAL, S.A	DIRECTOR
ANDRES ARIZKORRETA GARCIA	CARTERA SOCIAL, S.A	DIRECTOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

C.1.18 Indicate whether any amendment has been made to the Board Regulations during the year:

Yes

No

Description of amendments

During its meeting held on 25 February 2015, the Company's Board of Directors unanimously adopted the agreement to amend certain articles from its Regulations for the purpose of adapting them to the Companies Law amendments introduced by Law 31/2014, of 3 December, whereby the abovementioned Companies Law was amended to improve corporate governance and to introduce certain technical improvements arising from current regulations.

The amended articles are:

Article 1 (Purpose).

Article 5 (General Office of Supervision).

Article 7 (Structure).
 Article 8 (Board of Directors' Chairman)
 Article 9 (Board of Directors' Secretary)
 Article 13 (Board of Directors' meetings)
 Article 14 (Development of meetings)
 Article 15 (Directors' appointment)
 Article 16 (External directors' appointment)
 Article 18 (Directors' redundancy)
 Article 19 (Objectivity. Secret voting)
 Article 20 (Information powers)
 Article 22 (Board of Directors' remuneration)
 Article 23 (Directors' general duties)
 Article 24 (Directors' confidentiality obligation)
 Article 25 (Non-compete obligation)
 Article 26 (Conflicts of interest)
 Article 27 (Non-public information)
 Article 28 (Business opportunities)
 Article 29 (Indirect transactions)
 Article 30 (Corporate Governance Annual Report).
 The remaining articles have not been amended.
 The amended Board of Directors' Regulations were communicated as a Material Event to the National Securities Market Commission (CNMV) and has been available since then in CAF's corporate website, www.caf.net.

C.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. List the competent bodies, procedures and criteria used for each of these procedures.

APPOINTMENT The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through cooption. The director does not need to be a shareholder. Disqualification on the grounds of conflict of interest or any other legal grounds shall apply. Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Executive Director, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting. Additionally, in exercising its powers of proposal to the General Meeting and of cooption in case of vacancies, the Board shall ensure that in the Board structure non-executive directors represent the majority over executive directors, that among independent directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital. However, this last condition may be relaxed by recognising more significance to proprietary directors, upon existence of a plurality of shareholders represented in the Board with no links between them. Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of cooption shall be preceded by the corresponding proposal by the Nomination and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposed appointment or re-election of any non-independent director shall also be preceded by a report from the Nomination and Remuneration Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Nomination and Remuneration Committee. Should the Board decide not to follow the proposals of the Nomination and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance rules. Likewise, Directors should also be offered refresher programmes when circumstances so advise. With regard to the appointment of Non-executive Directors, the Board of Directors shall ensure that candidates be individuals of proven solvency, competence and experience, applying even stricter criteria for the positions of Independent Directors. The Board of Directors may not propose or appoint as Independent Directors any individuals who are or have been related to the Company or Group companies' management, or to a significant shareholder, or with family ties up to the second degree of kinship and blood relatives up to the third degree, professional or commercial relations with Executive Directors or any other senior executive, or significant shareholders of the Company or Group companies. Specifically, individuals matching the descriptions below shall not be proposed or appointed as Independent Directors: a) If they have been employed or acted as executive directors in Group companies, unless 3 or 5 years have elapsed since the termination of such a relationship, respectively. b) Individuals who are paid by the Company or the Group itself any amount or benefits other than the director compensation, unless they are not significant. Dividends or pension supplements received by the Director for his/her former professional or labour relationship shall not be taken into account, for the purposes of the paragraph above, insofar as such supplements be unconditional and, therefore, their accrual cannot be discretionally suspended, modified or revoked by the paying company

without breach of its obligations. c) Individuals who are or have been in the last 3 years partners to the external auditor or person responsible for the auditing report, whether such Period's audit corresponds to the Company or any other Group company.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The Board of Directors' annual evaluation has not shown any circumstances requiring material changes in internal organisation or procedures applicable to its activities.

However, in order to improve the effective performance of the Board of Directors and comply with corporate governance rules as much as possible, action plans have been drafted to be implemented during fiscal year 2016. Those already under implementation include considering the gender diversity criterion in appointing directors or approving an annual schedule of eight meetings for fiscal year 2016. This is all in accordance with Recommendations 14 and 26, respectively, of the Code of Good Governance of listed companies.

C.1.20.bis Describe the evaluation process and the areas evaluated by the Board of Directors with the assistance, as applicable, of an external consultant with respect to the structure and competence diversity, the performance and structure of its committees, the performance of the Board of Directors' Chairman and the Company's Managing Director, and the performance and contribution of each director.

In order to evaluate the structure and competence diversity, the performance and structure of its committees, the performance of its Chairman and Managing Director, and the performance and contribution of each director, the Board of Directors based on reports issued by the Audit Committee and, especially, the report issued by the Nomination and Remuneration Committee.

The areas subject to evaluation have been as follows:

- i. The quality and efficiency of the Board of Directors' operation.
- ii. The performance and structure of its committees.
- iii. The structure and competence diversity of the Board of Directors.
- iv. The performance of the Board of Directors' Chairman and the CEO.
- v. The performance and contribution of each director, with special emphasis on those in charge of the Board of Directors' different committees.

In view of this evaluation, the Board of Directors has issued its conclusions and set an action plan to be implemented during fiscal year 2016.

C.1.20.ter Break down, as applicable, the business relationships between the consultant or any other company of your group and the company or any other group company.

C.1.21 Indicate the cases in which directors must resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) The Proprietary Director must tender his/her resignation when the represented shareholder sells its entire shareholding or diminishes it to a level that requires the reduction of the number of Proprietary Directors. b) If they are disqualified on the grounds of conflict of interest or any other legal grounds. c) When indicted for any alleged crime or when subject of disciplinary measures for serious or very serious breach determined by supervising authorities. d) When seriously reprimanded by the Nomination and Remuneration Committee upon default of director's obligations. e) When involved in a situation that raises a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement Directors shall always report and, if applicable, resign if they are involved in a situation that may harm the Company's name and reputation.

C.1.22 Section repealed.

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes No

If applicable, describe the differences.

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes No

C.1.25 Indicate whether the Chairman has the casting vote.

Yes No

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors.

Yes No

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors.

Yes No

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether any limitation has been set forth regarding the right delegating conditions beyond the limitations established by law. If so, give brief details.

CAF's Bylaws establish that the duties of representation, governance and administration of the Company are permanently vested in the Executive Director and his powers shall be defined in the delegation agreement adopted by the Board of Directors. The Board of Directors may also delegate all or part of their powers to one or more Executive Committees through an agreement with an affirmative vote of at least two thirds of its members. Neither the Bylaws nor the Board Regulations establish many limitations or specific obligations in this regard.

C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

Number of board meetings	6
Number of board meetings held without the Chairman's attendance	0

Should the chairman be an executive director, state if the number of meetings held without attendance of any executive director in person or by proxy and with the chairmanship of the coordinating director.

Number of meetings	0
---------------------------	---

Indicate the number of meetings of the various board committees held during the year:

Committe	Number of Meetings
AUDIT COMMITTEE	4
NOMINATION AND REMUNERATION COMMITTEE	4

C.1.30 State the number of meetings held by the Board of Directors during the financial year, with the attendance of all members. Attendance will also include proxies appointed with specific instructions:

Number of meeting with the attendance of all directors	6
% of attendances of the total votes cast during the year	100.00%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorisation for issue by the board are certified previously:

Yes No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorisation for issue by the board:

Name	Position
ANDRES ARIZKORRETA GARCIA	CEO
LUIS TERRADILLOS ANDRES	Financial General Manager

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

The Board of Directors delegates on the Audit Committee the monitoring of financial balances and auditing services in order to avoid any qualifications. Financial statements for the year ended 31 December 2015 and previous years were approved without qualifications.

C.1.33 Is the Secretary of the board also a director?

Yes No

Complete the following table if the secretary is not a director:

Name or corporate name of secretary	Representative
ALFREDO BAYANO SARRATE	

C.1.34 Section repealed.

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

The Company has regulated the relationships with Markets and Auditors. CAF's Board of Directors Regulations state that the Board of Directors is responsible, among others, for: (A) Regarding relations with Markets: (i) The Board shall guarantee the fulfilment of the obligation to deliver information to Markets pursuant to the legislation in force at each given time. (ii) The Board shall also guarantee that periodic financial information, other than Financial Statements and, in general, any other information disclosed to the Markets, is prepared pursuant to the same professional principles, criteria and practices applied to the Financial Statements and that such information is as reliable as the latter. (iii) The Board shall include information about the Company's rules of governance in its annual public report. B) Regarding relations with Auditors: (i) Company relations with external auditors shall be channelled through the Audit Committee, pursuant to the Audit Committee Bylaws and Regulations. (ii) The Board shall inform in the Annual Report the remuneration paid to the audit firm in each period for services other than auditing. (iii) The board shall prepare the financial statements ensuring there will be no qualifications by the auditor. However, in case the Board considers its criteria should be maintained, the content and scope of the discrepancy shall be explained. In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for gathering information on matters that may call the auditor's independence into question, for the analysis by the Committee, as well as any other matters related to the auditing process and any further notifications foreseen in the audit laws and in the audit technical standards. In any case, every year it will be required to receive from external auditors their statement of independence regarding the entity or entities related directly or indirectly thereto, as well as the information on any additional service rendered and the relevant fees paid by these entities to the external auditor or to the persons or entities related thereto, as established by legislation on auditing. Similarly, according to by-laws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, a report containing an opinion on the auditor's independence. This report shall contain, as applicable, the assessment of the services provided, both individually and as a whole, other than those related to the statutory audit and pursuant to the independence regime or auditing regulations. Pursuant to the foregoing, the Company's Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Such Regulations state that the Audit Committee should guarantee the external auditor's independence and, to that end, it shall: 1) Receive from the auditors or audit companies an annual written confirmation of their independence from the entity or entities directly or indirectly related to the them as well as information concerning the additional services of any kind rendered to such entities by said auditors or companies, or by the individuals or entities related to them pursuant to Law 19/1988 of 12 July on Account Auditing. 2) Issue an annual report stating its opinion on the auditors' or audit companies' independence before the audit report is issued. This report shall refer to the provision of additional services mentioned in the paragraph above. 3) The Company should notify any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same. 4) The Committee should ensure that the Company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements established to safeguard auditors' independence; 5) The Committee should investigate the issues giving rise to the resignation of any external auditor.

C.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor:

Yes

No

Explain any disagreements with the outgoing auditor and the reasons for the same:

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group	Total
Amount paid for non-audit work (in thousands Euros)	0	178	178
Amount paid for non-audit work as a % of the total amount billed by the audit firm	0.00%	24.02%	24.02%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	14	14
Number of years audited by current firm/number of years the company has been audited (as a %)	36.84%	93.33%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes

No

Details of the procedure

Directors are advised by the Secretary, a Solicitor of renowned prestige. Directors also have access to the hiring of advising services through the Audit Committee. Additionally, Article 21 of the Board Regulations grants non-executive directors the power to seek expert advice at the Company's expense, if deemed necessary in furtherance of their duties.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies:

Yes

No

Details of the procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them. Normally, a schedule is approved containing six sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, the Board receives and approves at beginning of each year a specific Annual Plan with the month-by-month economic outlook for the current year. Subsequently, the Board receives every two months the actual economic information compared to such Annual Plan. The Board also receives additional information on the group's commercial, industrial and human resources departments. Ordinary Board meetings shall be convened at least 5 days in advance, although in practice the notice period is longer, and shall include the meeting's agenda, acknowledging the Directors' right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board, who shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be:

Yes

No

Details of rules

Under the Board Regulations, Directors shall inform the Board of any criminal charges brought against them and the progress of any subsequent trial. Should a Director be indicted or tried for any of the crimes stated in Article 213 of the Companies Law, the Board shall examine the matter as soon as possible and decide whether or not he or she should be called on to resign. The Board shall reasonably report all of the aforementioned in the Annual Corporate Governance Report. In any case, directors shall inform and, if applicable, resign in those events that may be detrimental to the Company's name and reputation.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the LSC.

Yes

No

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

There are no such agreements.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries: 1

Type of beneficiary:

Chief Executive Officer

Description of resolution:

Indemnification benefit due to termination ordered by the Company for reasons not related with the director

State if such agreements should be reported and/or approved by the bodies of the Company or its group:

	Board of Directors	Annual General Meeting
Body approving clauses	Yes	No

	Yes	No
Is the General Shareholders' Meeting informed of such clauses?	X	

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and Other External directors:

AUDIT COMMITTEE

Name	Position	Category
MR. JAVIER MARTINEZ OJINAGA	CHAIRMAN	Independent
MR. JUAN JOSE ARRIETA SUDUPE	MEMBER	Independent
MR. ALEJANDRO LEGARDA ZARAGÜETA	MEMBER	Other External

% of proprietary directors	0.00%
% of independent directors	66.67%
% of other external directors	33.33%

Explain the roles attributed to this committee, describe the procedures and its rules of organisation and operation, and summarise the most important actions taken during the fiscal year.

Name: AUDIT COMMITTEE. Brief description of its functions, organisation, operation and most important actions taken during the fiscal year. The Audit Committee shall be made up of at least three directors to be appointed by the Company's Board of Directors among non-executive directors. At least two of them shall be independent directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Audit Committee shall be adopted by majority vote of the Directors attending the meeting in person or by proxy.

Its main functions are: i) advising the General Shareholders' Meeting on any matter within its competence. ii) supervising the process for preparation and filing of mandatory financial information and its sufficiency, reviewing the compliance with accounting regulations and the proper delimitation of the scope of consolidation. iii) bring before the Board of Directors proposals for selection and appointment of the external auditor, as well as the terms for such hiring, and receive regular information from the external auditor on the audit plan and its execution. iv) safeguarding the external auditor's independence in exercising its functions. v) establishing due relations with the external auditor to receive information on the audit development process, as well as any other communication established by auditing legislation and technical auditing regulations. In any case, every year it shall receive from external auditors their statement of independence with respect to the entity or entities related directly or indirectly thereto, as well as the information on any additional service rendered and the relevant fees paid by these entities to the external auditor or to the persons or entities related thereto, as established by legislation on auditing. vi) issuing, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence. vii) enabling the communication between the Board of Directors and external auditors, ensuring that they file, at least once a year, the conclusions from their work to the Board of Directors. viii) supervising the efficacy of the Company's internal control, the internal audit function as an independent function, and risk management systems, including tax risks. ix) bringing before the Board of Directors proposals for selection and appointment of the internal auditor, as well as the terms for such hiring, and receiving regular information from the internal auditor on its activities, and verifying whether the Company's high management takes its recommendations into account. x) enabling and supervising a confidential communication channel that is open to employees, so as to notify the Company about any irregularities (particularly of a financial and/or accounting nature) that, in its opinion, could represent undue behaviour; and xi) advising the Board of Directors on an early basis about all the matters established by law, the by-laws, the Board of Directors' regulations and, particularly, with respect to: 1) the financial information to be published by the Company from time to time; 2) the creation or acquisition of equity interests from special-purpose vehicles or entities domiciled at jurisdictions considered tax havens; and 3) transactions with related parties.

The Committee shall convene upon the Chairman's decision to perform its functions. The Committee shall convene at least twice a year. The Committee shall also convene upon request of, at least, one of its members. The request shall be submitted to the Committee Chairman and shall include the agenda with the matters to be addressed by the Committee. The Chairman of the Committee is responsible for summoning it. The notice call, except for special emergency reasons considered by the Chairman, shall be issued to Committee members at least five calendar days in advance by post, fax, telegram or electronic mail.

The notice call shall include the meeting's agenda. Without prejudice to the abovementioned, the Committee may also discuss matters not included in the cited agenda. The Committee shall be duly convened when half of the

members attend the meeting in person or by proxy.

During 2015, the Audit Committee held four meetings. The most important actions taken during this fiscal year include: the Audit Committee proposed to the Board of Directors the public and periodic approval of the Company's quarterly, semi-annual and annual reports. The Committee also proposed appointing a new internal auditor due to the resignation of the former internal auditor, as well as the renewal of the external auditor.

Identify the director appointed member of the Audit Committee, considering his/her knowledge and experience on accounting, auditing or both, and report on the number of years of the Chairman's term of office in this committee.

Name of the experienced director	JAVIER MARTINEZ OJINAGA
Number of years of chairman in office	0

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
JUAN JOSE ARRIETA SUDUPE	CHAIRMAN	Independent
JOSE IGNACIO BERROETA ECHEVARRIA	MEMBER	Independent
LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other External

% of proprietary directors	0.00%
% of independent directors	66.67%
% of other external directors	33.33%

Explain the roles attributed to this committee, describe the procedures and its rules of organisation and operation, and summarise the most important actions taken during the fiscal year.

Name of the Committee **NOMINATION AND REMUNERATION COMMITTEE** Brief description of its functions, organisation, operation and most important actions taken during the fiscal year: The Committee shall be composed of no less than three (3) and no more than five (5) Directors, as determined by the Board of Directors, who will be non-executive directors only, two of which shall be independent. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Chairman is responsible for summoning the Committee, organising the agenda for the meeting and acting as moderator during the debates. Committee members shall be appointed for a four-year term, and shall be re-elected for equal periods while their appointments as Company Directors are effective. The Committee shall meet periodically as required and in particular when asked by the Board of Directors. The call notice shall be issued at least three days prior to the meeting. The call notice shall include the meeting's agenda and the relevant information duly summarised and prepared.

Prior call notice of Committee meetings shall not be necessary when 100% of its members are convened and accept holding the meeting by unanimous vote. The Committee shall be duly convened when, at least, the majority of its members attend the meeting in person or by proxy. The meeting shall be chaired by the Chairman of the Committee. In the absence or inability of the Chairman, the meeting shall be chaired by the most senior member. Should several Directors hold the same seniority, the meeting shall be chaired by the most senior member among them. The Chairman shall organise the debate ensuring and promoting the participation of all Committee members during the body's deliberations. At the Committee's request, its meetings may be attended by any executive or worker, the Executive Director, the Board of Director's Chairman or any other director. The Board of Director's Chairman or the Executive Director may indistinctly request the Committee to hold special informative meetings. Resolutions shall be adopted by majority vote of the Directors attending the meeting in person or by proxy. The Chairman of the Committee has the casting vote in the event of a tie. Adopted resolutions shall be minuted, reported by the Secretary and approved during such meeting or at the beginning of the next one immediately after. **FUNCTIONS ATTRIBUTED TO THE COMMITTEE:** The Nomination and Remuneration Committee has the following basic responsibilities: a) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it shall define the functions and skills required for candidates to cover each vacancy and shall evaluate the time and dedication required to attain goals effectively. b) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. c) Bring to the Board of Directors the proposals for the appointment of independent directors by cooption or to be submitted to the General Shareholders' Meeting, as well as the proposed re-election or removal of those directors by the General Shareholders' Meeting.

d) Report the proposal for appointment of the remaining directors by cooption or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. e) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. f) Examine and organise, as applicable, the plan for the succession of the Board of Directors' chairman and the Company's Managing Director, so that such succession is performed in an orderly and planned manner. g) Propose to the Board of Directors the compensation policy based, among others, on internal equity criteria and external competitiveness, and safeguard its observance. Therefore, the Committee assumes the function and commitment to submit to the Board of Directors its compensation policy proposal, to be kept or, as applicable, amended in future fiscal years. f) Ensure that information on directors' and high executives' compensation contained in corporate documentation is complete and updated. g) Request independent external advice, as required for the correct performance of its functions.

During fiscal year 2015, the Nomination and Remuneration Committee held four meetings.

C.2.2 Fill out the following table with the information regarding the number of female directors in the Board of Directors' committees during the last four years:

	Number of female directors							
	Fiscal year 2015		Fiscal year 2014		Fiscal year 2013		Fiscal year 2012	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed.

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

AUDIT COMMITTEE: On 25 February 2015 the company amended the resolution of the Audit Committee. The up to date version of the resolution is available in the CAF web site (www.caf.net), under section Information for Shareholders and Investors.

NOMINATION AND REMUNERATION COMMITTEE: On 25 February 2015, the Board of Directors agreed to create the Nomination and Remuneration Committee and approve its Regulations, which are also available in the abovementioned section of the corporate website.

Both committees have prepared an annual report on their related activities, dated 29 December 2015.

C.2.6 Section repealed.

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain and identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedure to notify the approval of related-party transactions

The Board of Directors formally reserves the right to maintain confidential any Company transaction with a significant shareholder, after first receiving a report from the Audit Committee. In addition, the Board of Directors has been attributed, and cannot delegate, the duty to approve –subject to the previous report from the Audit Committee– the transactions performed by the Company or group companies with the directors under the terms of Companies Law, or with shareholders –holding a significant equity interest– either individually or jointly, including shareholders represented at the Board of Directors of the Company or other companies forming part of the same group or with persons related thereto. This approval shall not be applied to the transactions meeting all of the three following conditions: 1) performed by virtue of contract with standardised terms and conditions and applied to a high number of clients;

2) performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3) containing amounts not exceeding one percent of the Company's annual revenues.

General authorisation of the operations line and its implementation conditions shall suffice for transactions that form part of the Company's ongoing concern deemed regular or recurring in nature.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

D.5 Indicate the amount from related-party transactions.

25,644 (in thousands of Euros).

D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Section 229 of the Capital Companies Law requires directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Annual Report. In turn, the Board Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for directors, as well as the consequences for breaching such rules. The Board Regulations expressly establishes that directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement. Finally, the Control and Monitoring body, regulated by the Internal Code of Conduct, helps the Board of Directors control possible conflicts of interest with the Company.

D.7 Is more than one group company listed in Spain?

Yes

No

Identify the listed subsidiaries in Spain:

Listed Subsidiary

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL SYSTEMS

E.1. Describe the risk management system in place at the company, including the tax risks.

The purpose of the risk management and control system implemented by the Company is to identify, at least: 1) The different types of risk (operational, technological, financial, legal, fiscal and reputational) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks under financial or economic risks. 2) The establishment of level of risk considered to be acceptable by the Company. 3) Measures in place to mitigate the impact of risk events, should they occur. 4) The internal reporting and control systems to be used to oversee and manage the above risks, including contingent liabilities and off-balance-sheet risks.

The Company's general control and management system includes an internal risk analysis and management procedure (including financial, business, regulatory, operating, technological, legal and tax risks, among others) that is proper to the different business stages, where all of the Company's departments affected by the required information are involved. Such procedure, which is implicit in the Group's quality system, begins with the preparation of offers and contracts for the manufacture and maintenance of railway vehicles and extends until project closing. The results obtained from the assessment of risks obtained through the tool called "SGOF application", during the offer preparation stage, are included in a report that is eventually analysed by the Company's Executive Committee. The Commercial General Director, along with the rest of CAF's Executive Committee, analyse the risks identified in the relevant dossier, as well as in the additional reports expressly prepared, as applicable, and eventually decide whether each individual offer is submitted or not.

In addition, the Company's risk management system establishes that the Project Team, coordinated by the Manager, is in charge of monitoring the risks detected during the project, in a periodic and permanent manner.

Additionally, the Audit Committee periodically reviews the internal control and risk management systems, ensuring they work properly.

E.2. Identify the bodies responsible for preparing and implementing the risk management system, including the fiscal system.

As established in article 5 of the Company's Board of Directors' Regulations, on the general supervision role, the determination of the risk control and management policy, including tax risks, as well as the supervision over information and control internal systems, are one of the exclusive matters subject to the consideration of the full Board.

In addition, the Audit Committee, through its information and internal control system, is in charge of supervising the preparation and control of financial information in general and all the procedures implemented for this purpose in particular, as well as supervising the internal audit function and the relationships with the external auditor in order to safeguard its independence and obtain an unqualified report, among other functions. This Committee shall also be responsible for reviewing internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed.

In addition, the goals of the Company's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

Finally, it is worth noting the direct and permanent involvement of the Company's different departments, as well as the participation of its Managements and, eventually, CAF's Executive Committee, in the performance of procedures and tools for the analysis and management of the specific risks associated with the Company's activities, both in the execution of each project and in previous stages.

E.3 Indicate the main risks, including tax risks, which may prevent the company from achieving its targets.

The most important risks the Company may face are grouped according to the following categories: (i) Financial risks: - Exchange rate risk, mainly arising when the reference currency of the contract with the client is other than the euro; - Risk of default or bad debt derived from customer's failure to observe his/her payment obligations, which bears a special impact on exports. - Risk derived from deviations from project budgets on which the corresponding tenders were based. (ii) Risks derived from environmental damages resulting from CAF's plant operations and service provision. (iii) Risks derived mainly from civil liabilities due to deficiencies or delays in service provision. (iv) Labour risks or damages to plant goods or assets. (v) Legal and tax risks.

E.4 Identify if the company has a risk tolerance level, including the tax risk.

Along general lines, the Company has a low level of tolerance to risk and has a prudent profile in making decisions that can entail exposure to risk. The Company also attempts to adopt risk mitigation measures wherever possible.

In order to address the difficulties related to project management, the CAF Group has a risk management system embedded into the Group's quality system, which starts with the drafting of the bid and allows identifying and managing the various risks faced by the Group in its ordinary course of business. The risk assessment results during offer preparation (including the relevant action and mitigation plans detected) are escalated to the Executive Committee, which is in charge of the final analysis and valuation in order to decide whether to submit the offer or to end the process. The Company's risk management system also establishes how the liability related to the management of detected risks should be transferred once the project stage has started. The Project Team, coordinated by the manager, shall be in charge of defining the actions to be taken regarding each risk identified and shall estimate the resulting exposure to each risk once all those actions had been taken (residual risk), controlling their progress periodically until project termination.

E.5 Identify any risks, including tax risks, which have occurred during the year.

No material or extraordinary risks were recorded during fiscal year 2015, including tax risks, other than those mentioned in the Directors' Report and the financial statements, without compromising results, strategic goals or equity. It is worth noting that the slowdown in the growth of emerging countries has caused high volatility for the foreign currency with which the Group operates. The impact and sensitivity regarding CAF's equity for foreign exchange purposes are broken down in CAF Group's financial statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, pursuing the mitigation of adverse risks for the Group. On an overall basis, the group's business and geographical diversification prevents the risks to which the Company is exposed from having a material impact on its equity.

In any case, mitigation and control systems at the different areas have worked properly, and inherent risks have not generated any material impact on the organisation during the last fiscal year.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks.

The risks affecting the Company at any given time are being continually studied internally, with the participation of the persons in charge of the different areas involved. This analysis leads to certain risk mitigation proposals and even vetoes of certain types of transactions. The Company has response plans aimed at reducing the impact and potential occurrence of the critical risks detailed in point E.3. or improving the risk preparation level.

Below are the main response plans for the Company's most important risk categories:

1.- Financial risks

The risk management policy adopted by the CAF Group focuses on handling the uncertainty of financial markets and aims to minimise the potential adverse effects on the Group's financial performance.

The Group's Financial Department is responsible for identifying, assessing and hedging financial risks by establishing policies to manage overall risk and specific risk areas such as currency risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives, investment of cash surpluses, and project budget variances.

a) Market risk

The CAF Group companies does business internationally and, therefore, they are exposed to exchange rate risk in transactions involving foreign currency. The Group companies use forward insurance contracts to hedge the currency risk derived from future commercial transactions and recognised assets and liabilities.

It is usual practice for CAF to hedge, provided that cost is reasonable, the market risk associated with contracts denominated in currencies other than the Group's functional currency. Such hedging is intended to prevent the impact of currency fluctuations on the different contracts signed, so that the Group's results present fairly its industrial and service activity.

For the most significant raw materials, CAF places the orders and agrees on the price when each new project commences. The risk of a rise in raw material prices having an adverse effect on the Group's contractual margins is thus hedged.

b) Credit risk

Most of accounts receivable and work in progress correspond to different clients in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the OECD Consensus rules applicable to instruments of this nature. The decision of whether to hedge is based on type of customer and the country in which it operates.

c) Liquidity risk

Prudent liquidity risk management entails maintaining sufficient cash, marketable securities and available funds to meet all Group's financial obligations broadly and effectively.

CAF Group manages liquidity risk by:

? The search and selection of business opportunities with the highest possible level of self-financing, under current market conditions, for each of the contracts. Regarding the vehicle manufacturing projects, whose medium performance period is approximately three years, the billing milestones and the performance of the works need not be aligned in time, which implies the use of financial resources.

? The implementation and maintenance of an active working capital management through a permanent follow-up on the fulfilment of the billing milestones in each project arranged.

? Maintaining a strong short-term liquidity position.

? Maintaining undrawn credit balances.

d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises on borrowings. The Group's policy for working capital funding is to resort to third-party borrowings in the form of short-term debt tied to floating market indices, normally Euribor, thereby substantially mitigating its interest rate risk exposure. With respect to long-term financing transactions, the goal is to maintain a fixed interest rate structure, to the extent permitted by the markets.

e) Risks arising from variances with respect to project budgets

Variances from project budgets that served as the basis for drawing up the various bids are analysed and verified through the use of a detailed system for reporting each of the cost items, which compares on an ongoing basis the budget for that item with the actual situation regarding the costs of each project. Thus, during the life of projects, these data are continuously followed-up through a complex internal process created for that purpose, with the participation of each department involved in each project.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting risk control and management system (ICFR) at the company.

F. 1 Company's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected during the audit. These functions are described in the Board's Audit Committee Regulation.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Economic Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.

The Managing Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the area of the ICFR, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the website, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with lawfulness, quality, reputation, protection of human resources, the respect for and commitment to the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market.

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying (i) a policy and procedure system to prevent the commission of material crimes as much as possible, (ii) the consequences that may arise from any behaviour failing to observe those policies and procedures, and (iii) the business areas with a risk of commission of material crimes.

- Whistle-blowing channel', for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

CAF has specific channels whereby workers may report any irregular situation that may affect the performance of their work.

A separate tool has also been developed to inform the Audit Committee of possible irregularities with potential significance of a financial or accounting nature, and which is soon to be implemented. The senders of this information shall be required to identify themselves, although this system guarantees that their identity will be protected and kept confidential.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan.

In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements.

With regard to learning programmes for CAF S.A.'s Economic and Financial Department, which supported the different businesses in fiscal year 2015, the main reference indicators of this activity have been as follows:

- Number of persons in the department involved in the training plans: 40
- Number of training hours: 373 hours
- Main training activities:
 - o Technical training in the financial and economic area
 - o Management training
 - o Languages training

F. 2 Financial information risk assessment

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk analysis and management system, which is included in the Group's quality system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

- Whether the process covers all financial information objectives (existence and occurrence, completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

At the beginning of each year, supported by projected financial information, the main control objective and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Economic Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- Whether a process is in place to define the consolidation scope, considering, without limitation, any complex corporate structures, special purpose vehicles or similar entities.

At least on a quarterly basis, the Economic Department receives the Group's company organisation chart from the Corporate Development Department, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Economic Department.

- Whether the process considers the effects of other kinds of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements

- Governance body in charge of supervising the process.

The Audit Committee is the body responsible for overseeing the regulated financial information preparation process and presentation, which includes the risk identification process

F.3. Control tasks

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Certification of financial statements: The financial statements are certified by the Managing Director and the Financial Manager. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Income and expense recognition (for every business unit)
- Invoicing and trade receivables
- Inventories and Supplies (for every business unit)
- Investments
- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

There is an Internal Information and Communication and Information Technology Management and Control Policy which defines the guidelines that are to inspire the management and control procedures on Communication and Information Technology. This policy is applicable to management of the ICT divisions of CAF Group.

The Policy establishes the scope and the guidelines for the following matters:

- Licences and regulatory requirements: Activities aimed at ensuring that the hardware and software installed complies with signed agreements.
- Access to information: Procedures that ensure that users only have access to the resources and tools they need to perform their duties (segregation of duties).
- Business continuity:
 - Procedures to backup and recover critical data and to protect personal equipment units and servers.
 - Physical and environmental security of data processing centres
 - Contingency plans
- Operating and monitoring: Procedures that ensure that all incidents are logged, identified, defined and resolved.
- Change management: procedures aimed at learning the impacts of new developments and reducing the risk of transferring elements to the production environment that should not be transferred, which jeopardise the data systems.

Applicable control activities have been identified for each one of these areas, with a person in charge of execution and oversight, a given timing, as well as the proper evidence that the activity has been performed.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

There is a Manual of Accounting and Financial Procedures and Policies applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Assessments by independent experts have been specifically requested (impairment tests). In these cases, the Company's policy is to resort to firms of renowned background and independence.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

CAF, S.A. economic department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Manual of Accounting and Financial Procedures and Policies.

The Manual is available on CAF's intranet.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Every year a schedule is drawn up of the information required to prepare the financial information for the following year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Economic Department, through a web-based tool with consistent reporting formats which is used to gather the information supporting the consolidated financial statements, as well as the consolidated information in the financial statement notes and which is also used to roll up and consolidate the reported information.

CAF, S.A.'s Economic Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are in charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

F.5 System operation supervision

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Furthermore, information will be reported on the scope of the ICFR assessment carried out during the fiscal year and on the procedure through which the assessor reports on its outcomes, as well as whether the company has an action plan describing any corrective measures, if applicable, and whether their impact on the financial information has been considered.

CAF's Audit Committee oversees the financial information. The Audit Committee should ensure the Financial Information Internal Control System works effectively, obtaining sufficient evidence as to its adequate design and working order, which requires evaluations of the identification process of risks that can affect the fair presentation of the financial information, verifications that there are controls in place to mitigate them and making sure they work properly.

The role of CAF's Audit Committee of evaluating the Financial Information Internal Control System has been delegated to the Internal Audit Department. In addition, as part of the external audit, meetings are held with the external auditors so that they may present the conclusions of their audit work performed (which include material aspects detected in the internal control area).

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

The Head of Internal Audit shall inform the Audit Committee at least once a year on the audit work plan to be implemented the following year, which shall include the tasks to be carried out to properly evaluate the Financial Information Internal Control System. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Head of Internal Audit shall inform the Audit Committee of his or her appreciations regarding the Financial Information Internal Control System, summarise the most relevant findings and the action plans designed to correct those findings. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2015 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Department covers the following matters:

- Analysis of the company's annual plan and identification of the main risks involving financial information.
- Review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review that the main control activities involving fiscal year closing processes, consolidation and reporting have been adequately fulfilled, as well as a review of the main judgements and estimates.
- Audit of financial reporting processes and of the main subsidiaries, as per a three-year turnover plan.
- Follow-up on the status of the action plans proposed to tackle identified shortfalls.
- Submittal to the Audit Committee of the results of the work performed.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. Likewise, it will report on the availability (or not) of an action plan aimed at correcting or mitigating any weakness observed.

It is common practice for the Company's Audit Committee to meet prior to issuing the financial information to the markets. During the 2015 reporting period, 4 meetings were held by the Audit Committee where the Internal Audit Department reported the results of the work performed and the existing plans of action in order to conduct corrective measures. The Committee has also held two meetings during 2015 with external auditors where information about the new legislation, the progress and the results of the external audit related to every semester were received.

F.6 Other disclosures

There is no other relevant information regarding the ICFR not included in this report.

F.7 External auditor report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The external auditor's report regarding the financial information internal control system is attached hereto as an annex.

G- DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies

Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Complies

Partly complies

Explain

Not applicable

3. While the General Annual Meeting is held, and to supplement the written publication of the corporate governance annual report, the Board of Directors' chairman must orally advise shareholders, with sufficient details, on the most significant aspects of the Company's corporate governance and, particularly:

a) The changes occurred from the last general annual meeting.

b) The specific reasons why the Company failed to observe any of the recommendations contained in the Code of Corporate Governance and, if any, the alternative rules applied on such matter.

Complies Partly complies Explain

During the Company's General Annual Meeting, the Board of Directors' Chairman orally advises shareholders on the most significant aspects of the corporate governance and the changes occurred since the last General Annual Meeting.

4. The Company must define and promote a policy for communication and contact with shareholders, institutional investors and proxy advisors, in full compliance with regulations against market abuse, and must provide a similar treatment for the shareholders in the same situation.

The Company must publish such policy through its website, including information on how it has been implemented and identifying the contact individuals or people in charge of its performance.

Complies Partly complies Explain

5. The Board of Directors is not required to submit a power delegation proposal to the General Meeting to issue convertible shares or securities, except for the pre-emptive right, for an amount exceeding 20% of capital upon delegation.

When the Board of Directors approved any issuance of convertible shares or securities, except for the pre-emptive right, the Company shall immediately publish in its website the reports on such exclusion, as established by commercial legislation.

Complies Partly complies Explain

In fiscal year 2014, CAF's Board of Directors brought a proposal to the General Meeting to delegate the powers to issue securities convertible into shares of the Company or other Group companies, with the power to exclude the pre-emptive right, for the maximum statutory amount and for a term of five years.

The Board of Directors issued this proposal within the limits and conditions established in applicable regulations. At the time the proposal was brought to the General Meeting, there were no specific prospects for the Board of Directors to exercise such authorisation. In fact, to date, the Board of Directors has not adopted any agreement to execute such power.

6. Listed companies must prepare the reports mentioned below, either in a mandatory or voluntary manner, publish them in their websites sufficiently in advance with respect to the general annual meeting, even though their publication was not mandatory:

a) Report on the auditor's independence.

b) Reports on the performance of the Audit Committee and the Nomination and Remuneration Committee.

c) Report from the Audit Committee on related transactions.

b) Report on corporate social responsibility policy.

Complies Partly complies Explain

Some of the reports mentioned in this recommendation have an internal nature. However, other reports are published by the Company sufficiently in advance with respect to the General Annual Meeting, such as the report on corporate social responsibility policy, published as part of the Directors' Report.

7. The Company is required to broadcast general shareholders' meetings live through their websites.

Complies Explain

The Company provides detailed information on the development of the General Annual Meeting under “Shareholders and investors” of the corporate website (www.caf.net). To date, the Company has not broadcasted its general meetings live through its website; however, this issue will be analysed for future fiscal years.

8. The Audit Committee ensures that the board of Directors presents the annual accounts to the General Shareholders’ Meeting without qualifications in the audit report. Should such qualifications exist, both the chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

Complies Partly complies Explain

9. The Company must publish in their websites, on a permanent basis, the requirements and procedures to prove the ownership of shares, the right to attend the general shareholders' meeting and the exercise or delegation of voting rights.

Such requirements and procedures must favour shareholders' attendance and exercise of rights and they shall be applied in a non-discriminatory manner.

Complies Partly complies Explain

10. Whenever a legitimate shareholder had exercised, prior to holding a general shareholders' meeting, the right to complete the agenda or to submit new agreement proposals, the Company shall:

- a) Spread those supplementary items and new agreement proposals immediately.
- b) Publish the attendance card model or voting delegation or remote delegation form with the specific amendments to vote on the new items of the agenda and alternative proposals, under the same conditions as those proposed by the Board of Directors.
- c) Submit those items or alternative proposals to voting and apply the same voting rules as those proposed by the Board of Directors, including, in particular, the presumptions or deductions on the sense of voting.
- d) After the general shareholders' meeting, notify the particulars of voting with respect to those supplementary items or proposed alternatives.

Complies Partly complies Explain Not applicable

11. Should the Company intend to pay attendance premiums to the general shareholders' meeting, set a general policy on those premiums in advance and make such policy stable.

Complies Partly complies Explain Not applicable

12. The Board of Directors must perform its functions with a single purpose and an independent criterion, provide the same treatment to all shareholders under the same circumstances and follow social interest, which is understood to imply seeking a profitable and sustainable business in the long term, promoting its continuity and maximising the Company's economic value.

In seeking the observance of the social interest, apart from laws and regulations and a good faith behaviour, ethics and respect for customs and commonly accepted good practice, it must seek to adapt its own social interest, as applicable, to the legitimate interests of its employees, providers, clients and the remaining groups of interest that may be affected, as well as the impact of the Company's activities on the community as a whole and the environment.

Complies Partly complies Explain

13. The Board of Directors must have a sufficient structure to operate effectively and attain participation; thus, it is suggested to include from five to fifteen members.

Complies

Explain

14. The Board of Directors must approve a directors' selection policy that:

- a) Is specific and verifiable;
- b) Ensures that appointment or re-election proposals are based on a previous analysis of the Board of Directors' needs; and
- c) Favours the diversity of knowledge, experience and gender.

The result of the previous analysis of the Board of Directors' needs must appear in the explanatory report of the Nomination Committee published upon calling the general shareholders' meeting to which ratification, appointment or re-election of each director is submitted.

The directors' selection policy must promote the goal whereby the number of female directors should reach at least 30% of the Board of Directors' total members by 2020.

Every year, the Nomination Committee shall verify the compliance with the directors' selection policy and inform on the matter in the corporate governance annual report.

Complies

Partly complies

Explain

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies

Partly complies

Explain

16. The number of proprietary directors with respect to total non-executive directors shall not exceed the proportion between the Company's capital represented by those directors and the remaining capital.

This criterion may be reduced:

- a) In companies with high capitalisation where there are few shareholdings deemed material from the legal point of view.
- b) In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies

Explain

17. The number of independent directors should represent at least one half of all board members.

However, when the Company did not have high capitalisation or when –even though having high capitalisation– it had one or several shareholders acting jointly and controlling over 30% of capital stock, the number of independent directors shall represent at least one third of total directors.

Complies

Explain

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Other Board of Directors to which they belonged, regardless of whether listed companies were involved, as well as the other compensated activities, regardless of their nature.
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a Company director.
- e) Shares held in the Company and any options on the same.

Complies Partly complies Explain

19. The Annual Corporate Governance Report, upon verification by the Nomination Committee, should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies Partly complies Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies Partly complies Explain Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the board, based on a proposal from the Nomination Committee. Particularly, it shall be understood that there is just cause, whenever the director occupied new positions or assumed new obligations preventing him/her from performing the functions applicable to directors, failed to comply with the duties inherent to his/her position or proceeded in a way that caused him/her to be no longer independent, as established by applicable legislation.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies Explain

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in the Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies Partly complies Explain

23. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The terms of this Recommendation should also apply to the Secretary of the board, director or otherwise.

Complies Partly complies Explain Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies Partly complies Explain Not applicable

25. The Nomination Committee should ensure that the non-executive directors have enough free time for the right performance of their duties.

The Board Regulation should lay down rules about the maximum number of directorships their board members can hold.

Complies Partly complies Explain

The Nomination and Remuneration Committee should ensure that the non-executive directors have enough free time for the right performance of their duties. In addition, the Company's Board of Directors has always included in its Regulations rules on the maximum number of companies' boards to which its directors may belong. These rules were not included in the amendment to the Board of Directors' Regulations approved in fiscal year 2015, which was aimed at adapting them to the amended Companies Law. However, the Board of Directors intends to approve in its meeting of 25 February 2016, along with this report, the proposed amendment to its Regulations in order to incorporate the provision whereby no director shall belong simultaneously to more than four boards of directors in companies other than the Company or not belonging to its group.

26. The board should meet with the necessary frequency to properly perform its functions, and at least 8 times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

Complies Partly complies Explain

CAF'S Board of Directors should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items. In 2015 the Board of Directors have met 6 times. However, a meeting schedule for year 2016 has been approved, with a minimum of 8 meetings.

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. And that, when they should occur, a representation with instructions must be provided.

Complies Partly complies Explain

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies Partly complies Explain Not applicable

29. The Company must establish the appropriate channels for directors to obtain proper advice to comply with their functions, including, depending on the circumstances, external advice to be borne by the Company.

Complies Partly complies Explain

30. Notwithstanding the knowledge required from directors in exercising their functions, the companies must also provide directors with programs to improve their knowledge whenever circumstances required so.

Complies Explain Not applicable

31. Meetings agenda must clearly indicate the items as to which the Board of Directors shall make a decision or reach an agreement, so that the directors may be able to analyse or to collect, in advance, the information required for such decision or agreement.

Whenever, exceptionally and due to urgent reasons, the Chairman intended to submit to the Board of Directors' approval decisions or agreements not included in the agenda, the previous and express consent of the majority of present directors shall be required, which shall be duly stated for the record in the minutes.

Complies Partly complies Explain

32. The directors must be informed from time to time about any variations in shareholders and the opinion of material shareholders, investors and rating agencies on the Company and its group.

Complies Partly complies Explain

33. The Chairman, in charge of the effective performance of the Board of Directors, apart from his/her functions established by law and the by-laws, must prepare and submit to the Board of Directors a schedule of dates and items to be treated, organise and coordinate the periodic evaluation of the Board of Directors and, as applicable that of the Company's Managing Director, be responsible for Board management and the efficacy of its performance, ensure that sufficient time is devoted to discuss strategic matters, and accept and review the knowledge training programs for each director, whenever circumstances required so.

Complies Partly complies Explain

34. Upon the existence of a coordinating director, apart from the powers established by law, the by-laws of the Board of Directors' regulations shall establish the following powers: presiding over the Board of Directors upon the absence of the chairman and vice-chairmen, if any, hearing the concerns of non-executive directors, keeping in contact with investors and shareholders in order to know their points of view and have an opinion on their concerns, particularly with respect to the Company's corporate governance, and coordinating the Chairman's succession plan.

Complies Partly complies Explain Not applicable

The Board of Directors' Regulations attributes to the coordinating director all the functions established by law. In addition, the Board of Directors intends to approve in its meeting of 25 February 2016, along with this report, the proposed amendment to its Regulations in order to incorporate the other powers previously mentioned for the coordinating director.

35. The Board of Directors' secretary must especially ensure that the Board of Directors' actions and decisions contain the good governance recommendations set out in this good governance code, as applicable to the Company.

Complies Explain

36. Once a year, the Board of Directors in full must evaluate and adopt, as applicable, an action plan to amend the deficiencies found regarding:

- a) The quality and effective performance of the Board of Directors.
- b) The performance and structure of its committees.
- c) The structure and competence diversity of the Board of Directors.
- d) The performance of the Company's Board of Directors' Chairman and Managing Director.
- e) The performance and contributions of each director, paying special attention to those in charge of the different Board committees.

In order to evaluate the different committees, the report submitted by the latter to the Board of Directors shall be taken into account and, in order to evaluate, the Board of Directors, the report submitted by the Nomination Committee shall be considered.

Every three years, the Board of Directors shall be assisted in evaluating an external consultant, whose independence shall be verified by the Nomination Committee.

The business relationships between the consultant or any group company and the Company or any other group company shall be broken down in the corporate governance annual report.

The evaluated process and areas shall be described in the corporate governance annual report.

Complies Partly complies Explain

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

Complies Partly complies Explain Not applicable

38. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Executive Committee's minutes.

Complies Partly complies Explain Not applicable

39. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management and the majority of those members should be independent directors.

Complies Partly complies Explain

40. A committee reporting to the Audit Committee shall be created to assume the internal audit function and to safeguard the proper performance of information and internal control systems, reporting functionally to the Board's non-executive chairman or the Audit Committee.

Complies Partly complies Explain

41. The head of internal audit should submit an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, submit an activities report at the end of each year.

Complies Partly complies Explain Not applicable

42. Apart from the functions established by law, the Audit Committee shall have the following functions:

1. With regard to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence and efficacy of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's material risks; receive periodic financial information on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation.
- b) Ensuring that the external auditor's compensation does not compromise his/her quality or independence.
- c) Ensuring that the Company notifies any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor the reasons for the same.

- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in full to advise them on the work done and the variations in the company's risk and accounting situation.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence.

Complies Partly complies Explain

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies Partly complies Explain

44. The Audit Committee must be informed about the structural and corporate modifications intended to be performed by the company so that the Board of Directors may previously analyse them and issue a report on the economic conditions and their accounting impact, especially, as applicable, the proposed exchange ratio.

Complies Partly complies Explain Not applicable

45. Control and risk management policy should specify at least:

- a) The different types of financial and non financial risks affecting the Company (operational, technology, social, legal, environmental, reputational, political, fiscal etc) with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies Partly complies Explain

46. Under the direct supervision of the Audit Committee or, as applicable, a specialised committee of the Board of Directors, there must be a risk management and control internal function exercised by a Company's internal department or unit with the following expressly attributed functions:

- a) Ensure the good performance of risk management and control systems and, particularly, that all material risks affecting the Company are properly identified, managed and quantified.
- b) Participate actively in the risk strategy preparation and in the important decisions regarding its management.
- c) Ensure that risk management and control systems mitigate risks properly as part of the policy defined by the Board of Directors.

Complies Partly complies Explain

The goals of the Company's Internal Audit include, among others, the assurance and control of risks faced by the Company in general and, for that purpose, it participates in the examination and evaluation of control systems and procedures. In addition, the Internal Audit area has been particularly entrusted by the Audit Committee, under its surveillance, to effectively supervise the Financial Information Internal Control System.

Furthermore, different Company departments and managements and, ultimately, CAF's Executive Committee also participate directly and permanently in the performance of risk management and control systems related to the Company's activities and the decisions on its management, both during the previous stages of each project and during their execution. Thus, they participate in risk identification and the measures taken to mitigate them.

47. The members of the Nomination and Remuneration Committee –or of the Nomination Committee and the Remuneration Committee, if separately created– must be appointed considering their proper knowledge, skills and experience according to their functions and most of those members must be independent directors.

Complies Partly complies Explain

48. High-capitalisation companies must have separate Nomination and Remuneration Committees.

Compliant Explain Not applicable

49. The Nomination Committee should consult with the Board's Chairman and company's chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Complies Partly complies Explain

50. The Remuneration Committee must perform its functions independently and, apart from the functions established by law, it shall have the following functions:

- a) Proposing to the Board of Directors the basic conditions governing high-executive contracts.
- b) Verifying the compliance with the remuneration policy established by the Company.
- c) Reviewing periodically the remuneration policy applied to directors and high executives, including share-based compensation systems and their application, as well as ensuring that their individual compensation is proportionate to that paid to the Company's other directors and high executives.
- d) Ensuring that potential conflicts of interests do not jeopardise the independence of the external advice provided to the committee.
- e) Verifying the information on the compensation provided to directors and high executives, as contained in the different corporate documents, including the annual report on directors' compensation.

Complies Partly complies Explain

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies Partly complies Explain

52. The rules on supervision and control committee structure and performance must appear in the Board of Directors' regulations and must be consistent with those applicable to mandatory committees, pursuant to previous recommendations, including:

- a) They must be exclusively made up of non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each Committee, and it should discuss their proposals and reports and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting.
- d) The Committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of meeting proceedings should be drawn up and made available to all Board members.

Complies Partly complies Explain Not applicable

53. The supervision of the compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy must be attributed to one or various committees of the Board of Directors, such as the Audit Committee, the Nomination Committee, the Corporate Social Responsibility Committee, if any, or a specialised committee established by the Board of Directors as part of its self-organisation powers, having at least the following functions:

- a) Supervising the compliance with the Company's internal codes of conduct and corporate governance rules.
- b) Supervising the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluating the adequacy of the Company's corporate governance system in order to ensure compliance with the goal of promoting social interest and, as applicable, the legitimate interests of the other groups of interest.
- d) Reviewing the Company's corporate responsibility policy, ensuring that it is aimed at creating value.
- e) Following-up the corporate social responsibility strategy and practice and evaluating the level of compliance.
- f) Supervising and evaluating the processes to create relationships with the different groups of interest.
- g) Evaluating the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.
- h) Coordinating the non-financial reporting process and the report on diversity, pursuant to applicable regulations and reference international standards.

Complies Partly complies Explain

Committee regulations do not establish some of the functions previously mentioned expressly. However, most of them are distributed naturally among each one of the existing committees in view of the nature and profile of the directors forming part of each committee.

54. The corporate social responsibility policy must include the principles or commitments assumed voluntarily by the Company with respect to the different groups of interest and identifying, at least:

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to sustainability, the environment and social issues.

- c) The specific practices related to shareholders, employees, clients, providers, social issues, the environment, diversity, tax responsibility, respect for human rights and prevention of unlawful behaviour.
- d) The methods or systems for the follow-up of results from the application of the specific practices mentioned in the previous item, related risks and their management.
- e) Mechanisms for the supervision of non-financial risks, ethics and business conduct.
- f) Channels for communication, participation and dialogue with groups of interest.
- g) Responsible communication practices preventing the manipulation of information and protecting integrity and honour.

Complies Partly complies Explain

55. The Company must inform, in a separate document or in the directors' report, the matters related to corporate social responsibility, using any of the internationally accepted methodologies.

Complies Partly complies Explain

The Company has informed in the directors' report about the matters related to corporate social responsibility. However, considering that the corporate social responsibility was approved on 29 December 2015, it has not been possible to use any of the internationally accepted methodologies. Nevertheless, the Company intends to progress in this regard in fiscal year 2016.

56. Directors' compensation must be sufficient to attract and retain the directors with the intended profile and to compensate for the dedication, qualification and responsibility required by the position, but not so high as to compromise the independent criterion of non-executive directors.

Complies Explain

57. Variable compensation must be established for executive directors in accordance with the Company's and personal performance, as well as compensation through the delivery of shares, options or rights over shares or instruments subject to the value of the share and long-term savings systems, such as pension plans, retirement plans or other social security systems.

It may be possible to establish the delivery of shares as a compensation method for non-executive directors, subject to the condition of keeping them until they cease acting as directors. The abovementioned shall not apply to the shares that the director had to sell, as the case may be, to settle the costs related to their acquisition.

Complies Partly complies Explain

58. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not only the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Particularly, compensation variable components must:

- a) Be related to return criteria that can be determined or measured and that consider the risk assumed to earn income.

- b) Promote the Company's sustainability and include non-financial criteria that are proper for the long-term creation of value, such as the compliance with the Company's rules and internal procedures and its risk management and control policies.
- c) Be configured by balancing the compliance with short-, medium- and long-term goals, allowing to compensate for the continuous performance over a sufficient period of time that shows contribution to the sustainable creation of value, so that the measurement elements of such return do not refer only to specific, occasional or extraordinary events.

Complies Partly complies Explain Not applicable

59. The payment of a material portion of compensation variable components must be deferred for a minimum period of time that is sufficient to prove that the return conditions previously established have been fulfilled.

Complies Partly complies Explain Not applicable

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies Partly complies Explain Not applicable

61. A material percentage of executive directors' variable compensation must be related to the delivery of shares of financial instruments disclosed at their value.

Complies Partly complies Explain Not applicable

62. Once the shares or options or the rights to shares related to the compensation systems have been allocated, directors shall not transfer the ownership of a number of shares equivalent to twice their annual fixed compensation or exercise the options or rights until a term of, at least, three years from allocation have elapsed.

The abovementioned shall not apply to the shares that the director had to sell, as the case may be, to settle the costs related to their acquisition.

Complies Partly complies Explain Not applicable

63. Contractual agreements must include a clause allowing the Company to claim reimbursement of compensation variable components whenever the payment had not been subject to return conditions or when they had been paid based on data whose inaccuracy was subsequently proved.

Complies Partly complies Explain Not applicable

64. Contract cancellation payments shall not exceed an amount equal to two years the annual total compensation and they shall not be paid until the Company has been able to prove that the director has met the return criteria previously established.

Complies Partly complies Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If it is considered that there is any material aspect or principle relating to the Corporate Governance practices followed by the company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. It may be included in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, industry or other ethical principles or standard practices. If so, state the code in question and the date of adherence.

A.3 As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 14,168,908B JOSE IGNACIO BERROETA ECHEVARRIA 0.003%; 72,564,821M JUAN JOSE ARRIETA SUDUPE 0.003% y 15,116,224A XABIER GARAIALDE MAIZTEGUI 0.002%, TOTAL 0.008%.

Due to the limitation in the number of characters, the text continues as follows:
C1.19

d) Executive Directors or senior management of a different company where a Company Executive Director or senior manager holds a non-executive Director position. e) Individuals who maintain or have maintained in the last year an important business relation with the Company or Group companies, whether on his/her behalf or as significant shareholder, director or senior executive of an entity maintaining such relation either at present or in the past. Business relations shall be those of supplier of goods or services, including financial ones, or of advisor or consultant. f) Individuals who may be significant shareholders, executive directors or senior executives of an entity who receives or may have received any major donations from the Company or its Group over the past 3 years. Mere employees of a Foundation receiving donations are excluded from this list. g) Spouses, individuals with an analogous relationship, or relatives up to the second degree of a Company executive director or senior executive. h) Individuals whose appointment or re-election has not been proposed by the Nomination Committee. i) Individuals who had been directors during a continuous term exceeding 12 years. j) Individuals falling under any of the assumptions mentioned in subsections a), e), f) or g) above with respect to any significant shareholder or any shareholder represented on the Board. In connection to the family relationship stated in paragraph g), such restriction shall be applied not only to the shareholder, but also to his/her Proprietary Directors in the investee company. Proprietary Directors forced to resign after their shareholders sell their shareholding may only be re-elected as Independent Directors when the shareholder they represented up to that moment sold his/her entire shareholding in the Company. A Director with Company shares may be an Independent Director provided he/she meets all the requirements pursuant to this Article and does not hold a significant shareholding. RE-ELECTION Directors shall hold office for five years. Directors may be re-elected once or several times for equal periods. Directors' appointments shall be effective upon acceptance thereof. The Board of Directors shall be renewed upon members' office expiration. ASSESSMENT The Nomination and Remuneration Committee has certain responsibilities with regard to Directors' appointment, assessment and re-election, set forth in the corresponding Regulations. The following should be noted: The Nomination and Remuneration Committee has the following basic responsibilities: 1. Report and review the criteria that must be followed with respect to the composition and remuneration of the Board of Directors and the selection of candidates. The Committee shall define the necessary Board members' functions and skills and shall evaluate the time and dedication needed for each member to perform his/her duties correctly. The Committee shall always ensure that the existing relation between the number of Proprietary, Independent and Executive Directors is the most suitable for the Company's appropriate operation and the protection of minority shareholders. The Committee shall also report on senior officers' appointments and removals planned by the Board. 2. Submit to the Board proposals for Directors' appointment through cooption or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for Directors' re-election or removal. Any Director shall, for that purpose, request the Committee to consider them in case they are adequate potential candidates to cover Directors' vacancies. REMOVAL The Board Regulations state the following rules for Directors' removal: Directors' removal shall comply with the legislation in force at each given time. Directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events: a) The Proprietary Director must tender his/her resignation when the represented shareholder sells its entire shareholding or diminishes it to a level that requires the reduction of the number of Proprietary Directors. b) If they are disqualified on the grounds of conflict of interest or any other legal grounds. c) When indicted for any alleged crime or when subject of disciplinary measures for serious or very serious breach determined by supervising authorities. d) When seriously reprimanded by the Nomination and Remuneration Committee upon default of director's obligations. e) When involved in a situation that raises a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement. Directors shall inform the Board of any criminal charges brought against them and the progress of any subsequent trial. Should a Director be indicted or tried for any offence, the Board shall examine the matter as soon as possible and decide whether or not he or she should be called on to resign. The Board shall reasonably report all of the aforementioned in the Annual Corporate Governance Report. In any case, directors shall inform and, if applicable, resign in those events that may be detrimental to the Company's name and reputation. The Directors' Selection Policy, approved by CAF's Board of Directors during this fiscal year, repeats the functions applicable to the Nomination and Remuneration Committee in selecting directors, as well as the conditions of its participation in such process, as previously described, and the conditions to be met by candidates, putting special emphasis on the essential purpose of favouring gender diversity in appointing members of the Board of Directors, pursuant to recommendation 14 c) under the Code of Listed Companies' Good Governance and sections 529 bis and 529 quindicies of Companies Law.

C2.1 The Committee has participated in appointing directors during 2015, exercising the functions that it has been entrusted. Particularly, the Committee has provided the Board of Directors with the relevant proposed appointment or re-election of independent directors and has prepared mandatory reports in the case of appointing or re-electing directors with another qualification. During the current fiscal year, the Committee has prepared, when required, the mandatory report on the proposed appointment of directors and the basic conditions of their contracts. It has also prepared and submitted to the Board of Directors the proposed amendment to the compensation paid to the Company's Board of Directors' members, in their capacity as such, and as done every year, it has submitted to the Board of Directors, for approval of the Compensation Report for the fiscal year and its submission to the General Meeting, the Board of Directors' proposed compensation. The Committee has also issued a report and proposal for the Board regarding compensation and further contractual conditions governing the contract to be entered into between the Company and its Executive Director. Note that in 2015 the Committee prepared a report on the "directors' selection policy" approved by the first time by the Board, making reference to the goal to achieve the representation of the gender with less representation at the Board of Directors and instructions on how to reach such goal, in compliance with good governance recommendations and legal provisions on the matter.

D.5

The transactions performed with other related parties amount to EUR 25,644 thousand.

The abovementioned transactions are broken down in Note 10 to the Group's consolidated financial statements.

E.6

2.- Risks derived from environmental damage

CAF is strongly committed to the protection of the environment. To that end, it has implemented the principles of the European Union's environmental action programme, based on precautionary and preventive actions and correction at source. In this respect, the Company has an action plan on various environmental issues relating to the atmosphere, dumping, waste, use of raw materials, energy, water and noise, obtaining ISO 14001 certificate.

3.- Legal and contractual risks mainly arising from harm caused to third parties as a result of deficiencies or delays in the provision of services.

The bidding terms and conditions and contracts for the manufacture of railway vehicles include numerous requirements on technical aspects and quality levels (with the introduction of new products with high technological level), requirements regarding the compliance with delivery terms, required approvals, required manufacture localisation, and other operational risks, which usually give rise to penalties and cancellation or suspension clauses. In this regard, discrepancies may arise as to such requirements between the CAF Group and its clients, which may lead to claims for delays or incorrect performance of the works, or the performance of additional works.

In order to address the difficulties related to project management, the CAF Group has a risk management system embedded into the Group's quality system, which starts with the drafting of the bid and allows identifying and managing the various risks faced by the CAF Group in its ordinary course of business. Different Company's departments are directly and permanently involved in the performance of risk analysis and management procedures and tools, as well as their managements and, ultimately, CAF's Executive Committee, both during the previous stages of each project and during their execution.

In addition, CAF implements a demanding insurance arrangement policy, which helps to provide adequate protection for the Company against economic consequences resulting from materialisation of some of these risks.

Lastly, CAF's plants use the most advanced technologies available and state-of-the-art techniques in order to optimise production pursuant to the ISO 9001 standard and/or IRIS.

4.- Labour risks or damages to plant goods or assets

CAF has an Occupational Hazard Prevention System in place which is audited by an external firm. The Prevention System Manual created to that end contains, without limitation, a detail of risk assessment activities, accident investigation, safety inspections, health inspections, and training. There is also an annual Prevention Plan in place for proper preventive action planning. CAF also has a Training Plan in place for employees in this field.

As to supervision, the main governance bodies accountable for risk control are the Board of Directors and the Audit Committee. In addition, the Company's Internal Audit participates in the examination and assessment of systems and procedures for risk control and mitigation. Finally, it is worth noting the direct and permanent involvement of the Company's different departments, as well as the participation of its Managements and, eventually, CAF's Executive Committee, in the performance of procedures and tools for the analysis and management of the specific risks associated with the Company's activities, both in the execution of each project and in previous stages, as described in item E.2 above.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 25/02/2016.

State if there were any directors who voted against or abstained from the approval of this Report.

Yes

No

**Construcciones y
Auxiliar de Ferrocarriles,
S.A. and Subsidiaries
composing the CAF
Group (Consolidated)**

Auditors' report on the "Information
Relating to the System of Internal
Control over Financial Reporting (ICFR)"
for the year ended 31 December 2015

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE GROUP") FOR THE YEAR ENDED 31 DECEMBER 2015

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.,

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 7 September 2015, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2015, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "*Guidelines on the Auditor's Report on the information relating to the System of Internal Control over Financial Reporting of Listed Companies*", published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2015 described in the accompanying Information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report established in CNMV Circular no. 5/2013, of 12 June 2013.
2. Inquiries to personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the consolidated financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and of other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by CNMV Circular 5/2013 of 12 June 2013, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

Deloitte, S.L.



Javier Giral Gracia
25 February 2016