

2014
ANNUAL
CORPORATE GOVERNANCE
REPORT

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER'S PARTICULARS

END OF FISCAL YEAR DATE

31/12/2014

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
CARTERA SOCIAL, S.A.	915,828	0	26.72 %
TEMPLETON INVESTMENT COUNSEL, LLC	0	103,888	3.03 %
INVESCO LIMITED	0	35,007	1.02 %

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

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
NORGES BANK	2/10/2014	Ownership interest has fallen below 3% of share capital
CAJA DE AHORROS Y PENSIONES DE BARCELONA	16/01/2014	Ownership interest has fallen below 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	0.003 %
MR. JUAN JOSE ARRIETA SUDUPE	100	0	0.003 %
KUTXABANK, S.A.	653,256	0	19.056 %
MR. XABIER GARAIALDE MAIZTEGUI	75	0	0.002 %

% of total voting rights held by the Board of Directors	19.064%
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Complete the following tables on share options held by directors

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

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 Act. If so, identify.

Yes

No

Comments

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.

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 5 June 2010 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.

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. Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC.

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 less than fifty per cent 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 he or she 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				
	% attendance in person	% attendance by proxy	% remote voting		Total
			Electronic vote	Other	
08/06/2013	48.57 %	22.59%	0.00 %	0.00 %	71.16 %
07/06/2014	46.35 %	27.29 %	0.00 %	0.00 %	73.64 %

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
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B.6 Please indicate whether it was agreed that certain decisions entailing a structural change to the Company (“subsidiarisation”, purchase or sale of essential operating assets, transactions involving the Company’s liquidation…) should be submitted to the approval of the General Shareholders’ Meeting, even though this is not expressly required under company laws.

Yes

No

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

Once in the Company’s website, www.caf.net , click on Shareholders and Investors. There is a list which includes the separate sections containing information on Corporate Governance and the General Shareholders’ Meeting.

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	Board office	Date of First appointment	Date of last appointment	Procedure for election
MR. JOSE MARIA BAZTARRICA GARIJO		CHAIRMAN	26/12/1991	05/06/2010	AGREEMENT ON ANNUAL GENERAL MEETING
MR ANDRES ARIZKORRETA GARCIA		DIRECTOR	26/12/1991	08/06/2013	AGREEMENT ON ANNUAL GENERAL MEETING
MR. ALEJANDRO LEGARDA ZARAGÜETA		DIRECTOR	26/12/1991	05/06/2010	AGREEMENT ON ANNUAL GENERAL MEETING
MR. FERMIN ARRESE ARRATIBEL		DIRECTOR	18/07/1995	04/06/2011	AGREEMENT ON ANNUAL GENERAL MEETING
MR. JOSE IGNACIO BERROETA ECHEVARRIA		DIRECTOR	07/06/2008	08/06/2013	AGREEMENT ON ANNUAL GENERAL MEETING
MR. JOSE MIGUEL DE LA RICA BASAGOITI		DIRECTOR	25/05/1991	04/06/2011	AGREEMENT ON ANNUAL GENERAL MEETING
MR. JUAN JOSE ARRIETA SUDUPE		DIRECTOR	07/06/2008	08/06/2013	AGREEMENT ON ANNUAL GENERAL MEETING
KUTXABANK, S.A.	MR JOSE ANTONIO MUTILOA IZAGIRRE	DIRECTOR	02/06/2012	02/06/2012	AGREEMENT ON ANNUAL GENERAL MEETING
MR. LUIS MIGUEL ARCONADA ECHARRI		DIRECTOR	29/01/1992	08/06/2013	AGREEMENT ON ANNUAL GENERAL MEETING
MR. XABIER GARAIALDE MAIZTEGUI		DIRECTOR	18/11/2004	05/06/2010	AGREEMENT ON ANNUAL GENERAL MEETING

Total number of directors	10
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Indicate any board members who left during this period.

C.1.3 Complete the following tables on board members and their respective categories.

EXECUTIVE DIRECTORS

Name or corporate name of director	Committee proposing appointment	Office per Company organisation chart
MR. JOSE MARIA BAZTARRICA GARIJO		Chairman and CEO
MR ANDRES ARIZKORRETA GARCIA		Chief Executive Officer

Total number of executive directors	2
% over total of the Board	20.00%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Committee proposing appointment	Name or company name of significant shareholder represented or proposing appointment
KUTXABANK, S.A.		KUTXABANK, S.A.

Total number of proprietary directors	1
% of the board	10.00 %

INDEPENDENT EXTERNAL DIRECTORS

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee notifying or proposing appointment
MR. FERMIN ARRESE ARRATIBEL	--
MR. JOSE IGNACIO BERROETA ECHEVARRIA	--
MR. JOSE MIGUEL DE LA RICA BASAGOITI	--
MR. JUAN JOSE ARRIETA SUDUPE	--
MR. LUIS MIGUEL ARCONADA ECHARRI	--
MR. XABIER GARAIALDE MAIZTEGUI	--
MR. ALEJANDRO LEGARDA ZARAGÜETA	--

Total number of other non-executive directors	7
Total % of the Board	70.00 %

List the reasons why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders.

Name or corporate name of director:

MR. FERMIN ARRESE ARRATIBEL

Company, officer or shareholder with whom relation is maintained:

MR. FERMIN ARRESE ARRATIBEL

Reason:

Director Xabier Fermín Arrese Arratibel holds no relationship whatsoever either with the Company or its management. However, he cannot be considered as independent director since he has not been proposed by the Appointments Committee given the fact that the latter is not yet operational, and that he has acted as Director for a ongoing period in excess of twelve years.

Name or corporate name of director:

MR. JOSE IGNACIO BERROETA ECHEVARRIA

Company, officer or shareholder with whom relation is maintained:

MR. JOSE IGNACIO BERROETA ECHEVARRIA

Reason:

Director Jose Ignacio Berroeta Echevarria holds no relationship whatsoever either with the Company or its management and shareholders. However, he or she cannot be qualified as being independent because of not having been proposed by the Appointments Committee, as this Committee is still not operational.

Name or corporate name of director:

MR. JOSE MIGUEL DE LA RICA BASAGOITI

Company, officer or shareholder with whom relation is maintained:

MR. JOSE MIGUEL DE LA RICA BASAGOITI

Reason:

Director Jose Miguel De la Rica Basagoiti holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent director since he has not been proposed by the Appointments Committee given the fact that the latter is not yet operational, and that he has acted as Director for a ongoing period in excess of twelve years.

Name or corporate name of director:

MR. JUAN JOSE ARRIETA SUDUPE

Company, officer or shareholder with whom relation is maintained:

MR. JUAN JOSE ARRIETA SUDUPE

Reason:

Director Juan José Arrieta Sudupe holds no relationship whatsoever either with the Company or its management and shareholders. However, he or she cannot be qualified as being independent because of not having been proposed by the Appointments Committee, as this Committee is still not operational.

Name or corporate name of director:

MR. LUIS MIGUEL ARCONADA ECHARRI

Company, officer or shareholder with whom relation is maintained:

MR. 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 director since he has not been proposed by the Appointments Committee given the fact that the latter is not yet operational, and that he has acted as Director for a ongoing period in excess of twelve years.

Name or corporate name of director:

MR. XABIER GARAIALDE MAIZTEGUI

Company, officer or shareholder with whom relation is maintained:

MR. XABIER GARAIALDE MAIZTEGUI

Reason:

Director Xabier Garaiale Maiztegui holds no relationship whatsoever either with the Company or its management. However, he or she cannot be qualified as being independent because of not having been proposed by the Appointments Committee, as this Committee is still not operational.

Name or corporate name of director:

MR. ALEJANDRO LEGARDA

Company, officer or shareholder with whom relation is maintained:

MR. ALEJANDRO LEGARDA

Reason:

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

List any changes in the category of each director which have occurred during the year.

Name or corporate name of director	Date of change	Previous category	Current status
MR. ALEJANDRO LEGARDA ZARAGÜETA	29/07/2014	Executive	Other Non-Executive

C.1.4 Complete the following table on the number of female directors over the past four years and their category.

	Number of female directors				% of total directors of each type			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
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, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

CAF maintains a clear equal opportunities policy to avoid any type of gender discrimination. Gender is under no circumstances considered selection criteria, also applicable to Directors' appointment. The structure of CAF's Board of Directors has remained stable for years and it was not deemed necessary to replace or appoint new directors to deliberately include females.

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile.

Explanation of measures

Not applicable

The Board of Directors must be duly informed of the entire process. When, despite the measures taken, there are few or no female directors, explain the reasons.

Explanation of the reasons

Not applicable

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 Izagirre.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital.

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of 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.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

Name or corporate name of director:

MR. JOSE MARIA BAZTARRICA GARIJO

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.

Name or corporate name of director:

MR 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 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Name or company name of director	Corporate name of the group entity	Position
MR. JOSE MARIA BAZTARRICA GARIJO	CAF ARGENTINA	Chairman
MR. JOSE MARIA BAZTARRICA GARIJO	CAF I+D. S.L.	Sole Director
MR. JOSE MARIA BAZTARRICA GARIJO	CAF ITALIA. S.R.L.	Sole Director
MR. JOSE MARIA BAZTARRICA GARIJO	CAF MEXICO S.A. DE C.V.	Sole Director
MR. JOSE MARIA BAZTARRICA GARIJO	CAF RAIL UK LTD	Sole Director
MR. JOSE MARIA BAZTARRICA GARIJO	CAF USA INC	Chairman
MR ANDRES ARIZKORRETA GARCIA	CAF ARGELIA EURL	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF CHILE. S.A.	Chairman
MR ANDRES ARIZKORRETA GARCIA	CAF DEUTSCHLAND GMBH	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF FRANCE SAS	Chairman
MR ANDRES ARIZKORRETA GARCIA	CAF INDIA PRIVATE LTD	Chief Executive Officer
MR ANDRES ARIZKORRETA GARCIA	CAF NEW ZEALAND LIMITED	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF POWER AND AUTOMATION, S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF RAIL AUSTRALIA PTY LTD	Chief Executive Officer
MR ANDRES ARIZKORRETA GARCIA	CAF SISTEME FERROVIARE. S.R.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF TRANSPORT ENGINEERING, S.L.U.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF TURK SANAYI VE TICARET LIMITED SIRKETI	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CENTRO DE ENSAYOS Y ANALISIS CETEST. S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CONSTRUCCIONES FERROVIARIAS DE MADRID. S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	ENNERA ENERGY AND MOBILITY. S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	GESTION ELABORACION DE MANUALES INDUSTRIALES INGENIERIA Y SERVICIOS COMPLEMENTARIOS. S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	INVERSIONES EN CONCESIONES FERROVIARIAS. S.A.	Joint And Several Director
MR ANDRES ARIZKORRETA GARCIA	NUEVAS ESTRATEGIAS DE MANTENIMIENTO. S.L.	Sole Director

MR ANDRES ARIZKORRETA GARCIA	RAIL LINE COMPONENTS, S.L.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	TRENES CAF VENEZUELA. C.A.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	TRENES DE NAVARRA. S.A.	Sole Director
MR ANDRES ARIZKORRETA GARCIA	CAF TAIWAN LTD.	Chairman
MR ANDRES ARIZKORRETA GARCIA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director
MR. ALEJANDRO LEGARDA ZARAGÜETA	FERROCARRILES SUBURBANOS S.A.P.I. DE C.V.	Chairman Non Executive

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
MR. ALEJANDRO LEGARDA ZARAGÜETA	VISCOFAN, S.A.	DIRECTOR
MR. 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

Explanation of rules

ARTICLE 25.3 of the Board Regulations states that no Board member shall simultaneously be member of the Board of Directors of more than five (5) companies, including the Company.

C.1.14 Indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session.

	Yes	No
Investment and financing policy	X	
Design of the structure of the corporate group	X	
Corporate governance policy	X	
Corporate social responsibility policy	X	
Strategic or business plans, management targets and annual budgets	X	
Remuneration and evaluation of senior officers	X	
Risk control and management policy and periodic monitoring of internal reporting and control systems	X	
Dividend policy, as well as the policies and limits applying to treasury stock	X	

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

Board remuneration (thousands of euros)	1,297
Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)	0
Total board remuneration (thousands of euros)	1,297

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

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
MR ANDRES ARIZKORRETA GARCIA	CARTERA SOCIAL, S.A.	DIRECTOR
MR. ALEJANDRO LEGARDA ZARAGÜETA	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

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing 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. 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 period for which the Directors were appointed, the Board of Directors may cover them with the current shareholders until the first General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, 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, on the one hand, the number of director be the most suitable to guarantee due representation and efficient operation of the body and, on the other, that Non-executive Directors represent the majority over Executive Directors. On the other hand, 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 Appointments and Remuneration Committee, in the case of Independent Directors, and a report, in the case of the remaining Directors. Should the Board decide not to follow the proposals of the Appointments 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) Former employees or executive directors of 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 obligation. c) Individuals who, over the past 3 years have been partners of the external auditor in charge of the audit report, whether it be the audit of the Company during such period or of any other Group company. d) Individuals acting as executive directors or senior executives of any other company for which any executive director or senior executive may act as non-executive director. e) Individuals who, over the past year, have held a significant business relationship with the Company or any other Group company, whether on his/her own behalf or as significant shareholder, director or senior executive of any entity that holds or may have held any such relationship. 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 Appointments Committee. i) 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 Appointments 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 Appointments 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 to disciplinary measures for serious or very serious breach determined by supervising authorities. d) When seriously reprimanded by the Appointments 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. The Board shall reasonably report all of the aforementioned in the Annual Corporate Governance Report. 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.

C.1.20 Indicate whether the board has evaluated its performance during the year.

Yes

No

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 self-assessment has not given rise to significant changes.

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

Directors are compelled to 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 Appointments 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 report and, if applicable, resign if they are involved in a situation that may be detrimental to the Company's name and reputation.

C.1.22 Indicate whether the duties of chief executive officer fall upon the Chairman of the Board of Directors. If so, describe the measures taken to limit the risk of powers being concentrated in a single person.

Yes

No

Measures for limiting risk

The Chairman of the Board has all the Board's powers, save for those which cannot be delegated pursuant to law. In addition, there is also a Chief Executive Officer with all the Board's powers, save for those which cannot be delegated by law. The Board's composition also contributes to power restriction: There is an ample majority of non-executive directors (8) over executive directors (2). In turn, the Chairman does not hold casting vote

Indicate, and if necessary, explain whether rules have been established that enable any of the independent directors to convene board meetings or include new items on the agenda, to coordinate and voice the concerns of external directors and oversee the evaluation by the Board of Directors

Yes

No

Explanation of rules

CAF's Board Regulations set forth that, in the event that the Chairman of the Board of Directors is also the Company's CEO, the Board of Directors shall appoint one of the independent directors to request the Board's summoning, the inclusion of new items on the agenda, the coordination of the non-executive directors' concerns and to lead the Board of Director's assessment of its Chairman.

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 only one director of the same category may be appointed as a proxy. 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

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

Committee	Number of Meetings
AUDIT COMMITTEE	6

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Directors attendances	6
% of attendance over total votes during the reporting period	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
DON ALEJANDRO LEGARDA ZARAGÜETA (Financial Statements Fiscal Year 2013)	Director
MR ANDRES ARIZKORRETA GARCIA (Financial Statements Fiscal Year 2014)	Chief Executive Officer

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 2013 and previous years were approved without qualifications

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

Yes No

C.1.34 Explain the procedures for appointing and removing the Secretary of the board, indicating whether their appointment and removal have been notified by the Nomination Committee and approved by the board in plenary session.

Appointment and removal procedure
--

The Secretary shall be appointed by the Board of Directors and shall not need to be a Director.

	Yes	No
Does the Nomination Committee propose appointments?		X
Does the Nomination Committee advise on dismissals?		X
Do appointments have to be approved by the board in plenary session?	X	
Do dismissals have to be approved by the board in plenary session?	X	

Is the Secretary of the board entrusted in particular with the function of overseeing corporate governance recommendations?

Yes

No

Comments

CAF's Board Regulations establish that the Secretary shall ensure the formal and substantive compliance of the Board's actions and that it abides by its governance rules and procedures. He or she shall also hold the position of the Board's Legal Advisor.

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 in order to avoid auditor's qualifications. 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 managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. 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/ies 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. 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 of non-audit work (in thousands euros)	0	290	290
Amount of other non-audit work/total amount billed by audit firm (as a %)	0.00 %	32.95 %	32.95 %

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	13	13
Number of years audited by current firm/number of years the company has been audited (as a %)	35.13 %	92.85%

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 20 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 group's detailed 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. In addition, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is done earlier, and shall include the meeting's agenda, acknowledging Directors' right to request all the information they may reasonably need on the Company and its group for the 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 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.

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: 0

Type of beneficiary:

Not applicable

Resolution description:

Not applicable

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group.

	Board of Directors	Annual General Meeting
Body authorising clauses	No	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 proprietary and independent directors.

AUDIT COMMITTEE

Name	Position	Type
MR. LUIS MIGUEL ARCONADA ECHARRI	CHAIRMAN	OTHER NON-EXECUTIVE
MR. ALEJANDRO LEGARDA ZARAGÜETA	MEMBER	OTHER NON-EXECUTIVE
MR. JUAN JOSE ARRIETA SUDUPE	MEMBER	OTHER NON-EXECUTIVE

% of executive directors	0.00 %
% of proprietary directors	0.00 %
% of independent directors	0.00 %
% of other external directors	100.00 %

C.2.2. Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	Fiscal year 2014		Fiscal year 2013		Fiscal year 2012		Fiscal year 2011	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3. Indicate whether the Audit Committee is responsible for the following:

	Yes	No
Monitoring the preparation and integrity of 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.	X	
Reviewing internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.	X	
Monitoring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; receive periodic financial information on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.	X	
Establishing and supervising 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.	X	
Making recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms of their engagement.	X	
Receiving regular information from the external auditor on the progress and findings of the audit programme, and checking that senior management are acting on its recommendations.	X	
Monitoring the independence of the external auditor.	X	

C.2.4 Describe the organisational and operational rules and the responsibilities attributed to each of the board committees.

Name of the Committee APPOINTMENTS AND REMUNERATION COMMITTEE Brief description Organisation and operation: 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, the majority of which should be Independent Directors with the appropriate experience and knowledge for the duties they should perform. The members of the Committee should meet the following conditions: (a) be Company Non-executive Directors; (b) be individuals of proven experience as Directors or in the furtherance of other relevant duties in the business sector, according to the Board of Directors. Committee members shall be appointed by the Board of Directors among the Directors who meet the conditions stated in the paragraphs above. 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. In the absence of the Chairman, the Committee shall be chaired by the member with the highest seniority, or the most senior one should several Directors hold the same seniority. Committee members shall be appointed for a three-year term, and shall be re-elected for equal periods while their appointments as Company Directors are effective. The Committee shall convene when summoned by its Chairman or so requested by at least half of its members. The Chairman, however, shall summon the Committee whenever the Board or its Chairman may request a report or the adoption of proposals and, in any case, whenever suitable for the appropriate furtherance of its duties. The call notice shall be issued in writing by post, fax, telegram or electronic mail, and authorised by the Chairman's signature. The call notice shall be issued at least five 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. Provisions stated in the Board of Directors Regulations for Board meetings shall be applied to Committee meetings with regard to summoning extraordinary meetings and voting in writing without a meeting. Committee members may proxy their vote to another Director member of the Committee through notification via any of the media specified in the abovementioned article addressed to the Chairman of the Committee, including proxy terms. 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. Where no provisions are specially made, the rules stated in the Board Regulations shall apply, provided they are compatible with the Committee's nature and function. Company Executive Directors and managers shall attend the Committee meetings, with voice and no vote, when so required. Except when different voting quorums are specifically provided, resolutions shall be adopted by majority vote of the Directors attending the meeting both 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 Chairman and approved during such meeting or at the beginning of the next one immediately after. Once the minutes are recorded, a copy thereof shall be submitted to all Committee members. COMMITTEE RESPONSIBILITIES: The Appointments 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. 3. Propose Directors and senior executives' remuneration policy to the Board of Directors, and ensure compliance with the remuneration policy established by the Company. With regard to Directors' appointment, the Committee shall review Director's selection criteria and shall assist the Board to define the profile the candidates should meet, addressing Board needs and according to the areas of the Board that may need to be strengthened. Upon Board of Directors' request, the Committee shall select the possible candidates for appointment as Company Directors, if applicable, and shall submit its proposals to the Board of Directors through its Chairman. It should, therefore, verify that the general requirements for all candidates to Company directorship stated by the Bylaws, the Board Regulations and current legislation are met. Once the mentioned procedure is completed, the Committee shall submit to the Board a report including its proposals for Directors' appointment by the Company General Shareholders' Meeting or, if applicable, by the Board of Directors itself through cooption to cover the vacancies. With regard to Directors re-election, the Committee shall, prior to the end of a Directors' term of office, examine the convenience of his/her re-election and permanence, if applicable, in the Board of Directors Committee of which that Director is a member. The Committee shall verify that the Director to be re-elected, if applicable, still meets the requirements pursuant to the Law, the Bylaws, the Regulations of the Board of Directors and these Regulations, and assess the quality of the work and dedication to the directorship in question. Once the procedure is finalised, the Committee shall submit a report to the Board of Directors including its proposal for the re-election of Directors. Name of the Committee AUDIT COMMITTEE Brief description Organisation and operation: The Committee shall be composed of three (3) members, appointed by the Board of Directors. At least the majority of the Committee members should be non-executive members of the Board of Directors. At least one member of the Committee should be independent and shall be appointed considering its knowledge and expertise in accounting, auditing or both. Committee members shall be appointed for a four-year term, without prejudice to their possible re-election. The Board of Directors is responsible for its renewal, re-election or removal, pursuant to legal and Company Bylaws provisions. The Board of Directors shall also appoint the Chairman among members acting as Non-executive Directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. In addition, the Audit Committee shall appoint its Secretary, who shall not necessarily hold the office of Director, although no Executive Director may be appointed for such office. All members of the Audit Committee, particularly its chairman, should be appointed based upon their knowledge, skills and background in accounting, auditing and risk management matters. 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 eight 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 agenda. The Committee shall be duly convened when half of the members plus one attend the meeting in person or by proxy. A proxy shall only be granted in favour of another Director member of the

Committee. The Committee Chairman and Secretary shall be those individuals appointed for such positions. In case of absence or inability, the Chairman shall be replaced by the member of the Committee with more seniority, or the most senior Committee member in case of several members holding the same seniority. In the absence or inability, the Secretary shall be replaced by the member of the Committee of less age. Resolutions shall be adopted by majority vote of the Directors attending the meeting in person or by proxy. The Secretary shall record the minutes of each meeting which, once approved either at the end of the meeting or in the following one, shall be signed by the Chairman and the Secretary. Once the minutes are recorded, a copy thereof shall be submitted to all the Committee members.

COMMITTEE RESPONSIBILITIES The Committee is responsible for assisting the Company Board of Directors in supervising the financial statements and controlling CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and its Group companies. The Committee shall, therefore, be responsible for:

- (i) Reporting the General Shareholders' Meeting about matters raised therein by shareholders.
- (ii) Monitor the preparation and presentation of regulated financial information. Namely, with respect to internal control and reporting systems, the Committee shall:
 - a) Supervise the preparation and integrity of the financial information on the Company and, if applicable, the Group, reviewing compliance with the regulatory requirements, proper delimitation of the scope of consolidation and correct application of accounting policies.
 - b) Monitor the proper operation of reporting, internal control and risk management systems so that major risks are identified, managed and disclosed accordingly.
 - c) Safeguard the independence and effectiveness of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; receive periodic financial information on its activities; and verify that Senior Management takes into account the conclusions and recommendations of their reports.
 - d) 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.
- (iii) Monitor the efficiency of the company's internal control, internal audit services, if applicable, and risk management systems, as well as discuss with auditors and audit companies about the significant flaws detected in the internal control system during the audit process. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.
- (iv) Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of auditors or audit companies pursuant to legislation applying to the company. Namely, the Committee will bring before the Board proposals for selection, appointment, re-election and replacement of the external auditor, as well as the terms of the auditor's engagement.
- (v) Maintain appropriate relations with auditors or audit companies to gather information on matters that may affect their independence, for review by the Committee, as well as information on any other matters related to the audit process, and any other disclosures established in auditing legislation and standards. The Audit Committee shall be specifically responsible for:
 - a) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
 - b) Monitoring the independence of the external auditor and to that end:
 - 1) Receive from the auditors or audit companies an annual written confirmation of their independence from the entity/ies 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 previous paragraph.
 - 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) Should the external auditor resign, the Committee shall examine the reasons therefore.
 - c) With regard to the Group, urge the group auditor to take on the auditing of all member companies.
- (vi) The Audit Committee should prepare information on the following points for input to Board decision-making:
 - a) The financial information listed companies must periodically disclose. The Committee shall ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, shall ask the external auditor to conduct a limited review.
 - b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
 - c) Related party transactions.

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.

Name of the Committee **APPOINTMENTS AND REMUNERATION COMMITTEE** Brief description CAF's Board approved in 2007 the Appointments and Remuneration Committee Regulations, which is also available on CAF's website (www.caf.net) under Information for Shareholders and Investors such approval was notified to the National Securities Market Commission as report of material disclosure. Name **AUDIT COMMITTEE** Brief description The Audit Committee has a set of Regulations that thoroughly govern its structure and operation. Such Regulations were amended during fiscal 2010 to adapt them to Law 12/2010 of 30 June on the Auditing Law Amendment. The Audit Committee Regulations is available on CAF's website (www.caf.net) under Information for Shareholders and Investors.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the board of the different types of directors.

Yes

No

If the answer is no, explain the composition of the Executive or Delegate Committee.

There is no Executive Committee

D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

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

Competent body to approve related-party transactions

The Board of Directors, after a report from the Audit Committee.

Procedure to approve 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. The Board of Directors and the Audit Committee, in issuing its report, shall evaluate the transaction from the point of view of the market conditions, also analysing the transactions with significant shareholders under the shareholders' equal opportunities policy. 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. The Company shall report its transactions with Directors, significant shareholders and Related Persons in the regular reporting package, to the extent provided by Law. Similarly, the Company shall include information in the Notes on the Company's or Group companies' transactions with the Directors and Related Persons and those acting on their behalf, when these transactions do not form part of the ordinary course of business or are not performed under regular market conditions.

Explain if the authority to approve related-party transactions has been delegated to another body or person.

Such approval function has not been delegated to any other body or individual.

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.

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 transaction causing such conflict. Any conflict of interest should be mentioned in the Annual Report. In turn, the Board Regulations closely regulate the non-competition agreement and the conflict of interest situations, and state specific rules of application and consequences for breaching such rules. They include, among others, Directors' duty to request Board's expressed authorisation to act as shareholders, directors, executives or advisors of another company engaging in an activity that is identical, similar or complementary to the Company's activity. Likewise, directors must tender their resignation to the Board of Directors and formalise it, if so deemed convenient by the Board, if they incur in a conflict of interest situation or breach their communication, abstention and non-competition duties. 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.

Define any possible business relations between the parent company and the listed subsidiary and between the latter and the 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.

The purpose of the risk management and control policy implemented by the Company is to identify, at least: 1) The different types of risk (operational, technological, financial, legal, reputational) the Company is exposed to, including contingent liabilities and other off-balance-sheet risks under financial or economic risks. 2) Risk level considered 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.

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

The Audit Committee shall be responsible for reviewing internal control and risk management systems on a regular basis, so that main risks are properly identified, managed and disclosed.

E.3. Indicate the main 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 from civil liabilities due to deficiencies or delays in service provision. (iv) Labour risks or damages to plant goods or assets. v) Legal risks.

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

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.

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

No significant risk has arisen during the year.

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

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 risk mitigation proposals and even vetoes of certain types of transactions. Additionally, the Audit Committee periodically reviews the internal control and risk management systems, ensuring they work properly.

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

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

General Management and the Human Resources Department 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 Internal Control System, 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. Furthermore, the Code of Conduct is disclosed to the employees through CAF's intranet. 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 advising the Board of Directors on compliance with the Code of Conduct. Its duties include analysing possible breaches and proposing corrective actions and penalties.

- 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 2014, the main reference indicators of this activity have been as follows: • Number of persons in the department involved in the training plans: 47 • Number of training hours: 1220 hours • Main training activities: o Technical courses on economic and financial matters o Courses on project management and leadership skills o Language courses.

F. 2. Financial information risk assessment

Explain, 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 in financial reporting is a continuous process carried out by the Company's Management.

- 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.

- Finally, which of the company's governing bodies is responsible for overseeing 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: one of the company's directors has certified the annual financial reporting to be released to the securities markets. 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 • End of the Reporting Period • Remuneration to Employees • Treasury Management • Recognition of Income and Expense (for each business unit) • Billing and Customers • Inventory and Purchases (for each business unit) • Investments • Taxes • Provisions • Information Systems. For each of these processes, 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, 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: o Procedures regarding backups of critical data and their recovery, and protection of personal computers and servers. • Physical and environmental security of the data processing centres o Contingency plans • Operation and monitoring of transactions: 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. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

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 2014 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 judgments 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. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

It is common practice for the Company's Audit Committee to meet prior to issuing the financial information to the markets. During the 2014 reporting period, 6 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 three meetings during 2014 with external auditors where information about the progress and the results of the external audit related to every semester were received.

F.6 Other disclosures

Not applicable

F.7 External auditor report

Report:

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.

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.

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

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.

See sections: D.4 and D.7

Complies Partly complies Explain Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

a) **The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;**

b) **Any acquisition or disposal of key operating assets that would effectively alter the Company's corporate purpose;**

c) **Operations that effectively add up to the Company's liquidation.**

See section: B.6

Complies Partly complies Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the Meeting notice.

Complies Explain

5. Separate votes should be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

a) **The appointment or ratification of directors, with separate voting on each candidate;**

b) **Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.**

Complies Partly complies Explain

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Complies Explain

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

Partly complies

Explain

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and, in particular:

- i) The strategic or business plan, as well as the annual management objectives and budgets;
- ii) Investment and financing policy;
- iii) Definition of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and performance evaluation policy for senior executives;
- vii) Risk control and management policy and periodic monitoring of internal reporting and control systems.
- viii) Dividend policy and treasury shares policy and, in particular, limits thereon.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) At the proposal of the company's chief executive, the appointment and potential removal of senior executives, as well as their indemnity clauses.
- ii) The remuneration of directors, as well as in the case of executive directors, the additional compensation for their executive functions and other conditions to be fulfilled by their contracts.
- iii) The financial information listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto (“related-party transactions”).

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the board basis to a large number of clients.
2. They go through at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the Company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: D.1 and D.6

Complies

Partly complies

Explain

The Board of Directors undertakes as the core of its mission approving the Company's strategy and ensuring that Management meets the objectives set while pursuing the Company's interests and corporate purpose. To that end, the Board of Directors in full has reserved the right to approve most of the policies, decisions and transactions indicated above.

Some of the abovementioned policies, decisions and transactions are not stated in the Board's Regulations as expressly reserved to the full Board. Nonetheless, in practice, those issues are settled within the Board and are not delegated to any other individual or committee whatsoever.

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: C.1.2

Complies

Explain

10. External directors, proprietary and independent, 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.

See sections: A.3 and C.1.3

Complies

Partly complies

Explain

CAF's Board of Directors is composed of 10 directors, of which 8 are non-executive directors, thus representing the vast majority of said body. Of the 8 non-executive directors, one is a proprietary director and the rest are "other non-executive directors".

Of the "other non-executive directors", 3 of them fulfil all the material and substantial requirements to be classified as independent directors, except for that of having been proposed either for their appointment or re-election by the Appointments and Remuneration Committee. Since the abovementioned Committee is not operational at the closing of fiscal year 2014, such directors cannot be classified as independent.

On the other hand, the number of Company executive directors is 2, i.e. the minimum number required.

11. That among external 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.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2 .In companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 and C1.3

Complies

Explain

The Company has 8 non-executive directors, one of which is proprietary. The ratio between proprietary directors and the rest of non-executive directors does not surpass the proportion between the Company's share capital represented by the proprietary director and the rest of share capital.

It should be noted that 3 of the "other non-executive directors" cannot be classified as independent at the end of 2014 because they have not been proposed by the Appointments and Remuneration Committee inasmuch as it is not yet operational at that date. However, as mentioned above, said directors fulfil all other material and substantial requirements in order to be deemed independent directors.

12. The number of independent directors should represent at least one third of all board members.

See section: C.1.3

Complies

Explain

At year-end, the Company does not have any independent director. As stated before, 3 out of 10 directors fulfil all the requirements to be deemed independent directors, save for the fact that they have not been proposed by the Appointments and Remuneration Committee (since such Committee is not yet operational at 31 December 2014). This is the only reason why the abovementioned directors have not been classified as independent.

13. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointments Committee. Furthermore, said Report should explain the reasons why proprietary directors have been appointed at the request of the shareholders with a stake lower than 5%; 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.

See sections: C.1.3 and C.1.8

Complies

Partly complies

Explain

Partly complies, except for prior verification by the Appointments Committee, which was not established at 31 December 2014.

14. When women directors are few or non-existent, the Appointments Committee should take steps to ensure that:

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies Partly complies Explain Not applicable

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See sections: C.1.19 and C.1.41

Complies Partly complies Explain

16. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See section: C.1.22

Complies Partly complies Explain Not applicable

The Board's Regulations expressly state that independent directors should be empowered to carry out these functions and thus fulfil the recommendation. However, since the Company has no independent directors (as the Appointments and Remuneration Committee is not operational), this recommendation cannot be fulfilled.

17. The Secretary should take care to ensure that the board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;

b) Comply with the Company Bylaws and the Regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) Are informed by those good governance recommendations of the Unified Code that the Company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full

board meeting; the relevant appointment and removal procedures being spelled out in the board regulations.

See section: C.1.34

Complies Partly complies Explain

This recommendation is fulfilled except for the provision that the secretary appointment be informed by the Appointments and Remuneration Committee. Such Committee is not operational at the end of the reporting period, this being the reason why the recommendation is not fully complied with.

18. The board 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.

See section: C.1.29

Complies Partly complies Explain

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies Partly complies Explain

20. 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

21. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's operation;

b) Starting from a report submitted by the Appointments Committee, how well the Chairman and Chief Executive have carried out their duties;

c) The performance of its Committees on the basis of the reports furnished by the same.

See sections: C.1.19 and C.1.20

Complies Partly complies Explain

Given the fact that the Appointments and Remuneration Committee is not operational at the time, the Company cannot fulfil subsection b) of this recommendation.

On the other hand, the aspects covered by this recommendation are assessed on an ongoing basis and not once a year by the Board, whose structure and operation have been sound and steady over the years.

22. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.

See section: C.1.41

Complies

Explain

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: C.1.40

Complies

Explain

24. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies

Partly complies

Explain

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication.

b) Companies should lay down rules about the number of Boards on which their Board members can take part.

See sections: C.1.12, C.1.13 and C.1.17

Complies

Partly complies

Explain

Subsection a) is not fulfilled in its entirety since the Appointments and Remuneration Committee was not operational at the closing of the fiscal year. Instead, directors report their remaining professional obligations directly to the Board of Directors. Subsection b) is fulfilled in its entirety.

26. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Appointments Committee, in the case of independent directors.

b) Subject to a report from the Appointments Committee in all other cases.

See section: C.1.3

Complies

Partly complies

Explain

As mentioned above, the Appointments and Remuneration Committee is not operational at the closing of the reporting period. Therefore, this recommendation cannot be fulfilled.

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

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

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, and;

e) Shares held in the Company and any options on the same.

Complies

Partly complies

Explain

28. 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.

See sections: A.2, A.3 and C1.2

Complies

Partly complies

Explain

29. 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. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in Ministerial Order ECC/461/2013.

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 11.

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

Explain

30. 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 article 213 of the Corporate Enterprises Act, 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.

See sections: C.1.42 and C.1.43

Complies

Partly complies

Explain

31. 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

32. 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.

See section: C.1.9

Complies

Partly complies

Explain

Not applicable

33. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Complies

Partly complies

Explain

Not applicable

34. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies

Explain

Not applicable

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

Complies

Explain

Not applicable

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

Complies

Explain

Not applicable

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.

See sections: C.2.1 and C.2.6

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 Committee's minutes.

Complies Explain Not applicable

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

- a) **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; 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;**
- b) **These committees should be formed exclusively of non-executive directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.**
- c) **Committees should be chaired by an independent director.**
- d) **They 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 a copy sent to all Board members.**

See sections: C.2.1 and C.2.4

Complies Partly complies Explain

The Audit Committee's regulations do not cover all the matters included in this recommendation since it has been deemed appropriate that said Committee be subject to the legal scheme set out in the Additional Eighteen Provision of the Securities Market Law ("LMV" in Spanish), which it complies strictly with.

As for the Appointments and Remuneration Committee, the recommendation is not fulfilled in its entirety as its members are not yet appointed at year end. The creation of both the Committee and its regulations have been approved by the Board. In fact, the Appointments and Remuneration Committee's regulations include all of the matters stated in the recommendation.

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See sections: C.2.3 and C.2.4

Complies

Explain

41. Audit committee members, particularly the Chairman, are appointed in light of their knowledge and experience of accounting, audit or risk management.

Complies

Explain

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See section: C.2.3

Complies

Explain

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

Complies

Partly complies

Explain

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

- a) **The different types of risk that affect the Company (operational, technology, financial, legal, reputational, tax, 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.**

See section: E

Complies

Partly complies

Explain

45. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) **That the main risks identified as a result of the oversight by the Company of internal controls and internal audit, be duly managed and reported.**
- b) **Monitor the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; receive periodic financial information on its activities; and verify that the conclusions and recommendations of its reports are taken into account by the senior management.**
- 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 of the external auditor:

- a) **Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.**
- b) **Ensure the independence of the external auditor and, to that end:**

i) The Company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies

Partly complies

Explain

46. 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

Explain

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: C.2.3 and C.2.4

Complies

Partly complies

Explain

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: C.1.38

Complies

Partly complies

Explain

49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See section: C.2.1

Compliant

Explain

Not applicable

50. The Nomination Committee should have the following functions in addition to those stated in earlier Recommendations:

a) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and skills required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) Examine or organise, in appropriate form, the succession of the Chairman and Chief

Executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.

c) Report on the senior officer appointments and removals which the Chief Executive proposes to the Board.

d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See Section: C.2.4

Complies Partly complies Explain Not applicable

The Appointments and Remuneration Committee's regulations valid at 31 December 2014 do include subsections a) and c) amongst the functions of the Appointments and Remuneration Committee, by contrast with subsections b) and d). Regarding any decision or proposal concerning these issues, the Board prefers to be fully involved from the very onset given their vital importance for the Company.

51. The Nomination Committee should consult with the company's Chairman and 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 Not applicable

52. The Remuneration Committee should have the following functions in addition to those stated in earlier Recommendations:

a) Propose to the Board of Directors:

- i) The remuneration policy for directors and senior officers;**
- ii) The individual remuneration and other contractual conditions of executive directors.**
- iii) The standard conditions for senior officer employment contracts.**

b) Oversee compliance with the remuneration policy set by the Company.

See sections: C.2.4

Complies Partly complies Explain Not applicable

This recommendation is fully complied with, save for the provisions contained in subsections ii) and iii) under section a). The Company's senior management and executive directors share one single identity. Therefore, both matters are handled on an equal basis and are both explained below.

The remuneration scheme applicable to the Company's executive directors/senior management is very straightforward, no variable compensation, advance settlements, credits or guarantees being paid. For that reason, the Appointments and Remuneration Committee needs not make any proposal regarding the basic terms of its contracts, the Board's setting out such terms directly.

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

Complies Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your 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.

At the first Board meeting held this year on 25 February 2015, the Board of Directors unanimously approved the creation of the Appointments and Remuneration Committee as well as its Regulations and the appointment of its three members. The Appointments and Remuneration Committee subsequently held its first meeting where it approved the proposal for the appointment of three Board members as independent directors, including two members of the Committee itself.

At that same meeting, the Board of Directors approved the amendment to the Board Regulations and the Audit Committee Regulations, as well as the appointment of a new Chairman for the Committee from amongst the Company's independent directors.

2. You may include 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, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 25/02/2015.

List whether any directors voted against or abstained from voting on 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 2014

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

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 22 September 2014, 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 2014, 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 2014 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:

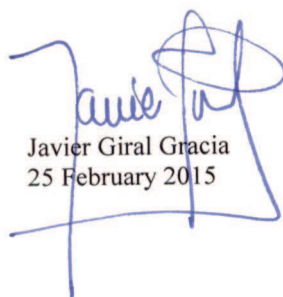
1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section 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 2015