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REPORT ON THE OPERATIONS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF) FOR FY 2021

1. Report Purpose

The purpose of this report is to disclose the functions and activities performed by the Appointments and Remuneration Committee (hereinafter the “**ARC**” or the “**Committee**”) of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter “**CAF**” or the “**Company**”) during the fiscal year that ended on December 31, 2021, for which purpose it will be made available to shareholders and other stakeholders through the corporate website, pursuant to the terms set forth in Recommendation 6 of the CNMV’s Code of Good Governance for Listed Companies (hereinafter the “**Code of Good Governance**” or “**CGG**”).

In preparing this report, the principles and criteria set out in the CNMV's Technical Guide 1/2019 on Appointments and Remuneration Committees, published on 27 February 2019, (hereinafter “the **Technical Guide**”) have been taken into account, in particular with regard to the minimum structure and content required in Section 11 for this type of document.

2. Regulation of the ARC

The legal regime of the ARC is contained in the Bylaws, in the Regulations of the Board of Directors and in its specific Regulations.

Specifically, Article 37 ter of the Bylaws refers to the composition and functions of the Committee. Article 12 of the Board Regulations establishes certain rules on the composition and operation of the Board. Finally, the Committee's Regulations regulate in greater detail fundamental aspects of this body, such as its powers, rules of operation and relations with other bodies of the Company.

As a sign of the Company's commitment to the permanent updating of the Corporate Governance System and its adaptation both to new legislation and to the good practice codes or guides that are periodically published by regulatory and supervisory bodies, at its meeting held on December 16, 2021, and at the proposal of this Committee, the Board of Directors approved the amendment of the Committee's Regulations, for the main purpose of:

- (i) Adapting the description of the Committee's functions to the new features in relation to the director remuneration system, introduced in the revised text of the Capital Companies Act (hereinafter, the “**CAPITAL COMPANIES ACT**”) by Law 5/21, of April 12 (“**Law 5/2021**”), on the promotion of long-term shareholder involvement in listed companies; and
- (ii) Including some technical improvements.

3. Composition of the ARC during the fiscal year

In accordance with the provisions of **Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of its own Regulations**, the Committee is made up of three non-executive Directors, two of whom are independent. The Chairwoman of the Committee has been appointed from among the independent Directors who are members of the Committee.

The appointment, renewal and removal of members of the ARC are carried out by the Board of Directors. They are appointed for a period of four years, notwithstanding their renewal, and will be removed when they do so in their capacity as directors, by resolution of the Board, through resignation or for not complying with the requirements of the Regulations or the legal provisions.

In determining the composition, both quantitative and qualitative, of this body, the Board of Directors has taken into account the rules contained in article 529 quinquies of the Revised Text of the Capital Companies Act (hereinafter “Capital Companies Act”), Recommendation 47 of the Code of Good Governance and the guidelines of the Technical Guide, adapting them to the circumstances and complexity of the organization, with the aim of favoring diversity in its structure, its independence and its resolution effectiveness.

The members of the Committee have been appointed taking into account the knowledge, skills, and experience necessary for the performance of the functions entrusted to them and, in particular, in areas such as corporate governance, human resources, business and relations experience, selection of Directors and managers, senior management functions, and the design of remuneration policies and plans.

The composition of the Committee is diverse in terms of age, gender, professional experience, personal skills and sectoral expertise.

In 2021 there were no changes in the composition of the Committee.

Thus, as of December 31, 2021, the composition of the ARC and the distribution of its positions is as follows:

<i>Director</i>	<i>Position</i>	<i>Category</i>	<i>Seniority</i>
Ms. Ane Agirre Romarate	Chairwoman	Independent	Appointed Director on December 19, 2017. Member of the Committee since February 27, 2018. She was appointed Chairwoman of the Committee on May 6, 2020.

Mr. Luis Miguel Arconada Echarri	Member	Other External	Appointed Director on January 29, 1992. Member of the Committee since February 25, 2015.
Mr. Julián Gracia Palacín	Member	Independent	Appointed Director on June 10, 2017 and has been a member of the Committee since May 6, 2020.

The following is a brief summary of the professional profiles of the current members of the Committee:

- Ms. Ane Agirre Romarate (Chairwoman) holds a degree in Economics and Business Administration and a Master's Degree in Advanced Management. She has extensive experience in the field of Human Resources, particularly in relation to management development and talent management, both as a manager in different entities and in strategic consulting.
- Mr. Luis Arconada Echarri (Member) has extensive experience and knowledge in the business and corporate sector, as well as in-depth knowledge of the Company. He has enjoyed prestige in different areas of social and economic life since his successful period in the world of sport.
- Mr. Julián Gracia Palacín (Member) is an Industrial Engineer and holds a Master's Degree in Business Administration. He has spent his professional career working in the telecommunications, logistics and consulting sectors, holding management positions in several companies.

In the “Shareholders and Investors” section of CAF's corporate website, up-to-date information regarding the composition of the Appointments and Remuneration Committee (<https://www.caf.net/en/accionistas-inversores/gobierno-corporativo/comisiones-consejo.php>) and public information on each of the directors (<https://www.caf.net/pdf/Information-on-the-Members-of-the-Board-Feb-2022.pdf>) can be found.

4. Functions and tasks performed throughout the fiscal year by the ARC Committee, changes thereto and reference to the regulations governing it

Article 37 ter of the Bylaws and Article 3 of the ARC Regulations attribute the following minimum functions to it:

In the area of appointment and remuneration:

- 1.- To assess the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions and capabilities required of the candidates for a particular vacancy, updating it periodically, and evaluate the time and commitment required for them to effectively carry out their duties.

- 2.- To establish a target representation for the least represented gender on the Company's Board of Directors and produce guidelines on how to reach this target.
- 3.- To submit proposals to the Board of Directors on the appointment of Independent Directors to the Company through co-optation or for the consideration of the shareholders in a General Shareholders' Meeting, together with proposals for the re-election or dismissal of said Directors by the shareholders in a General Meeting.
- 4.- To report on proposals for the appointment of the other Directors through co-optation or for consideration of the shareholders during a General Meeting, in addition to proposals for the re-election or dismissal thereof by the shareholders during a General Meeting.
- 5.- To report on the proposal for the appointment of the Chairman of the Board of Directors, in addition to the Deputy Chairmen, if applicable.
- 6.- To inform the Board of Directors of the appointment and removal of the Secretary.
- 7.- To submit to the Board of Directors the proposal for the appointment of an Independent Coordinating Director.
- 8.- To report regarding proposals for the appointment or dismissal of senior management and the basic terms of their contracts.
- 9.- To examine and organize the succession of the Chairman of the Board of Directors and that of the Company's chief executive and, where applicable, make proposals to the Board of Directors to ensure that said succession is planned and orderly by developing and periodically reviewing a succession plan to that effect.
- 10.- To issue a report prior to the issuance of a warning to a Director on the part of the Board of Directors as a result of an infraction of their obligations in this capacity.
- 11.- To inform the Board of Directors of the measures to be adopted when Directors find themselves in situations that affect them, whether or not these are related to their actions in the Company itself, that could damage the credit and reputation of the Company and, in particular, before any criminal case in which they appear as being under investigation.
- 12.- To report in advance regarding proposals for the dismissal of independent directors by the Board of Directors before the end of the statutory period, so that the latter can assess if there is just cause.
- 13.- To make proposals to the Board of Directors regarding the remuneration policy for Directors, issuing the corresponding report, and for general managers or those performing their senior management duties reporting directly to the Board of Directors, Executive Committees, or Managing Directors, in addition to the individual remuneration and other contractual terms of the Executive Directors, ensuring compliance therewith.

- 14.- To periodically review the remuneration policy applied to directors and senior managers, including the share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to that paid to the other Directors and senior managers of the Company.
- 15.- To propose to the Board of Directors, issuing the corresponding report, the individual establishing of the remuneration of each Director in their capacity as such within the statutory framework and the remuneration policy, in accordance with the functions and responsibilities attributed to each of them.
- 16.- To propose to the Board of Directors, issuing the corresponding report, the individual determination of the remuneration of each Director for the performance of the executive functions attributed to them within the framework of the remuneration policy and in accordance with the provisions of their contract.
- 17.- To ensure that any possible conflicts of interest do not compromise the independence of the external advice given to the Committee.
- 18.- To verify the information related to the remuneration of Directors and senior management contained in the various corporate documents, including the annual report on the remuneration of the Directors.

In relation to the System of Corporate Governance and Sustainability:

- 19.- To supervise compliance with the Company's corporate governance rules, ensuring that the corporate culture is aligned with its purpose and values.
- 20.- To verify compliance with the Director Selection and Diversity Policy on an annual basis, reporting on this in the annual corporate governance report.
- 21.- To periodically assess and review the Company's corporate governance system and Sustainability Policy, so that they adequately fulfill their mission of promoting the company's interests and take into account, as applicable, the legitimate interests of the other stakeholders.
- 22.- To oversee that the Company's environmental and social practices are in line with its strategy and policy; and
- 23.- To supervise and assess the relationship processes with the various stakeholders.

In relation to other subjects:

- 24.- To propose the modification of the Regulations for the Board of Directors to said Board, whenever the Committee should deem this to be necessary, including the corresponding reasoning.
- 25.- To submit to the Board of Directors, within the framework of the annual evaluation of the Board of Directors and its Committees, an annual evaluation report on the operation and activities of the Committee during the previous year and an annual evaluation report of the performance of the Board of Directors.

- 26.- To issue a report on the functioning and activities of the Committee during the previous fiscal year.
- 27.- To check that the information on the experience and professional career and regarding the remuneration of the Board Members that the Company publishes on its website is sufficient and adequate and follows the recommendations of the Code of Good Governance for Listed Companies published by the Spanish Securities Market Commission.
- 28.- To approve an annual work plan that takes into account the annual schedule for Committee sessions, among other matters, with the goal of facilitating efficient compliance with the goals sought.
- 29.- Any other duty attributed thereto by Law, the company's bylaws, the Regulations of the Board of Directors or the Board of Directors itself.

In order to better carry out the functions and powers entrusted to it, the Committee may require any type of information or documentation it considers necessary, as well as request the Board to hire external advisory services on technical or especially relevant matters. Additionally, the Committee may request the personal collaboration or a report from any member of the Company's management and/or that of other companies of its group, other directors, executive or otherwise, employees, or experts, whenever it should deem this necessary or convenient to fulfill its functions; likewise, upon the invitation of the Chairperson of the Committee, it may request the presence of any of these people at its meetings, although only to address the specific points on the agenda for which they are invited. Their presence should not become common practice, so they should only attend when necessary. **(Article 15 of the ARC Regulations).**

5. Meetings held during the fiscal year, number and nature of attendees

In FY 2021, a total of five meetings were held, attended by all members of the Committee, whether in person or by proxy.

<i>Meeting no.</i>	<i>Date of the meeting</i>	<i>Number of Committee member attendees</i>	<i>Other attendees</i>
1	02/25/2021	3	Economic-Financial and Strategy Director.
2	04/29/2021	3	--
3	07/29/2021	3	--
4	11/11/2021	3	--
5	12/16/2021	3	--

The Committee meetings cover matters within its competence, facilitating the free participation of all members in the deliberations.

Everything discussed and agreed at each meeting has been reported on in due course at the following meetings of the Board of Directors.

Annex I to this document details the meetings schedule of meetings held and the matters dealt with by the Committee in FY 2021.

6. The most significant activities carried out this fiscal year

During the fiscal year under review, the Committee adequately performed the functions set forth in the Bylaws (Art. 37 ter) and in its own Regulations (Art. 3). As indicated in Section 2 of this document, in FY 2021, Articles 3 and 15 of the ARC Regulations implementing the powers and competences attributed to the Committee were amended for the purposes indicated above.

a. Appointment activities

- Presentation to the Board of proposals for the re-election of an independent Director for presentation to the Shareholders in their General Meeting.

Said document was made available to shareholders on the corporate website as soon as the General Meeting was called.

- Presentation to the Board of the following proposals:
 - In connection with the separation of the offices of Chairman and Chief Executive Officer:
 - Appointment of Mr Javier Martínez Ojinaga as Chief Executive Officer, effective September 1, 2021, with delegation of all the powers that correspond to the Board of Directors according to the Law and the company's bylaws with the sole exception of those that cannot be delegated in accordance with the Law.
 - Removal of Mr Andrés Arizkorreta García from the position of Chief Executive Officer and from any other executive functions in the Company and its Group effective September 1, 2021, and continuation thereof in the position of non-executive Chairman of the Company as of that date.
 - Replacement of Mr Martínez Ojinaga in the position of Coordinating Director with Ms Ane Agirre Romarate, during the period prior to the effective date of the separation of the positions of Chairman and Chief Executive Officer (September 1, 2021).
 - In connection with changes in the composition of the Audit Committee:

- Removal of Mr Javier Martínez Ojinaga as a member of the Audit Committee and appointment of Mr Ignacio Camarero García as an Independent Director in his place.

b. Remuneration activities

- Proposal to the Board of Directors of the Report on the Remuneration of Directors for FY 2020.
- Proposal to the Board of Directors regarding the remuneration of the members of the Executive Committee for the 2021 fiscal year.
- Proposal to the Board of Directors regarding the remuneration and other contractual conditions of the new Chief Executive Officer, Mr Javier Martínez Ojinaga, for approval of the corresponding contract.
- Proposal to the Board regarding the allocation to the long-term savings system of the outgoing Chief Executive Officer and the new Chief Executive Officer.
- Analysis of the new long-term savings system to be taken on by the Company, applicable to the Executive Committee and Executive Directors.

c. Activities in the area of Corporate Governance and Sustainability

- Review of the Sustainability Report for FY 2020, for approval by the Board of Directors.
- Review of the Declaration on Combating “Modern Slavery” for FY 2020, for approval by the Board of Directors.
- Supervision and evaluation of the Corporate Governance System.
- Sustainability monitoring and evaluation.

d. Other actions

- Approval of the Operations Report of the Appointments and Remuneration Committee for FY 2020.
- Proposal to the Board of Directors to amend the Regulations of the ARC, in order to incorporate the new provisions on remuneration included in the Capital Companies Act by Law 5/21, on the promotion of long-term shareholder involvement in listed companies and other technical improvements.
- Analysis of the directors' and managers' insurance Policies and their annual renewal plan.
- Annual verification of compliance with the Director Selection and Diversity Policy.

- Preparation of the Report on the annual evaluation of its performance, within the framework of the evaluation of the Board of Directors, in accordance with the provisions of Recommendation 36 of the Code of Good Governance for Listed Companies, with the scope detailed in Section 7 below.
- Approval of the Plan of Activities for 2022.

e. Activities in relation to the monitoring of the Committee's own action plans.

Throughout this fiscal year, the Committee has continuously monitored the action plans for 2021, proposed in the Report on the annual evaluation of its own performance, approved by the Committee during its meeting on December 17, 2020, noting that they have been carried out satisfactorily.

7. Scope of the evaluation of the operations and performance of the Board and the ARC itself, including the areas evaluated, the evaluation methods used, and the extent to which the evaluation has led to relevant changes in the organization.

The Committee prepared the Report on the annual evaluation of its own performance in 2021, as well as the Report on the annual evaluation of the Board of Directors and its Committees in the same year, in compliance with Recommendation 36 of the Code of Good Governance. Both reports have been submitted to the Board of Directors.

The evaluation process carried out by the Committee included, among others, the following aspects: i) quality and efficiency in the performance of the Board of Directors and its Committees, including the degree of effective use of the contributions of its members; ii) size, composition and diversity of such bodies; iii) performance of the Chairperson of the Board and Chief Executive Officer of the Company; iv) frequency and duration of the meetings; v) content of the agenda and adequacy of the time allocated to addressing the different issues; vi) quality of the information received; vii) openness of the debates; and viii) whether the decision-making process is dominated or strongly influenced by one member or a small group of members.

To carry out this process, the Committee took into consideration, among other indicators, the degree of compliance with regulatory requirements and guidelines in the area of corporate governance, as well as the level of achievement of the plans and objectives set for FY 2020.

The result of the evaluations carried out was positive, notwithstanding some areas for improvement that were identified, which the Committee passed on to the Board for assessment, and which have been specified in specific action plans for FY 2022.

The results of the evaluation have not led to significant changes in the internal organization or procedures of these bodies.

8. Information on which, if any, practical guidelines on appointments and remuneration committees are being followed and to what extent

Since the publication of the CNMV's Technical Guide 1/2019 on February 27, 2019 on Appointments and Remuneration Committees, the ARC has followed these guidelines as a roadmap in the performance of its functions.

9. Significant deviations with respect to the procedures adopted or irregularities in matters within the Committee's competence which have been reported in writing to the Board

No significant deviations with respect to the procedures adopted or irregularities in matters within this Committee's competence have been reported to the Board.

10. Conclusions

As a result of the above, the Appointments and Remuneration Committee considers that its organization and operation in FY 2021 are in line with the provisions contained in the law, the Bylaws, the Board Regulations and its own Regulations.

In particular, all the recommendations of the Code of Good Governance concerning the committees in this category, to which CAF attaches particular importance, have been complied with. Special attention has also been paid to the principles and guidelines contained in the Technical Guide on Appointments and Remuneration Committees.

The Committee understands that, through the work carried out throughout this year, it has faithfully fulfilled the functions entrusted to it. Notwithstanding this positive assessment, the Committee reaffirms its willingness to continue improving the efficiency of its operation and compliance with its goals, in line with best practices in the area of Corporate Governance.

This report was issued by the Appointments and Remuneration Committee on January 26, 2022.

Approval by the Board of Directors and Dissemination:

This report was approved by CAF's Board of Directors during its meeting on February 25, 2022.

In accordance with Recommendation 6 of the CNMV's Code of Good Governance for Listed Companies, this document will be published on the Company's website (www.caf.net) sufficiently in advance of the Ordinary General Meeting.

ANNEX I

Calendar of meetings in 2021

Date	Issues addressed
February 25, 2021	<ul style="list-style-type: none">○ Insurance report (D&O policy).○ Review of the Annual Director Remuneration Report for fiscal year 2020 for proposal to the Board.○ Review of the Sustainability Report and Declaration on Combating "Modern Slavery" for fiscal year 2020 for proposal to the Board.○ Approval of the Report on the Operations of the Committee for FY 2020.○ Remuneration proposal for the Directors and Senior Management, applicable to FY 2021.○ Miscellaneous.
April 29, 2021	<ul style="list-style-type: none">○ Proposals for appointment and reelection to the Board.○ Miscellaneous.
July 29, 2021	<ul style="list-style-type: none">○ Remuneration proposal following the appointment of a new Chief Executive Officer.○ Miscellaneous.

November 11, 2021

- Deliberation regarding the long-term savings system applicable to the Chief Executive Officer and Senior Management and proposal, if applicable.
- Miscellaneous.

December 16, 2021

- Deliberation regarding the long-term savings system applicable to the Chief Executive Officer and Senior Management and proposal, if applicable.
- Proposal to amend the Appointments and Remuneration Committee Regulations.
- Report for the Supervision of the Corporate Governance System and Sustainability.
- Verification of compliance with the Director Selection and Diversity Policy.
- Annual evaluation of the performance of the Committee and the Board.
- Approval of the Plan of Activities for 2022.
- Miscellaneous.