



The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.

REPORT OF THE BOARD OF DIRECTORS REGARDING THE APPOINTMENT OF MR. JULIÁN GRACIA PALACÍN AS AN INDEPENDENT DIRECTOR, INCLUDED IN ITEM 4 OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING.

1.- INTRODUCTION

The Appointment and Remuneration Committee of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (“CAF” or the “Company”) has proposed the re-election of Julián Gracia Palacín as an Independent Director of the Company.

In accordance with the provisions of section 4 of article 529 decies , section 3 of article 529 quidecies of the Revised Text of the Capital Companies Act (the “Capital Companies Act”), and article 15 of the Rules of the Board of Directors, the Appointment and Remuneration Committee (or “the Committee”) is responsible for proposing the appointment or re-election of the members of the Board of Directors who are independent.

In accordance with section 5 of article 529 decies of the Capital Companies Act, that proposal must be accompanied by a report from the Board of Directors assessing the competence, experience and merits of the proposed candidate, which will be added to the minutes of the general meeting or of the Board itself.

The purpose of this report is to (i) endorse and report favorably on the proposal of the Appointment and Remuneration Committee for the re-election of Mr. Julián Gracia Palacín as an Independent Director for the statutory period of four years; and (ii) assess the competence, experience and merits of the proposed candidate.

The above-mentioned Committee proposal is made available to shareholders together with this Board report.

It is also noted that, for the purposes of article 518 e) of the Capital Companies Act, this report contains complete information on the identity, professional background and category to which the proposed candidate for the position of Director belongs.

2.- REPORT JUSTIFICATION

2.1. Appointment and Remuneration Committee Proposal

For the purposes of this report, the Board of Directors has assessed the corresponding proposal of the Appointment and Remuneration Committee, which the Board endorses in its entirety.

This proposal states that, in view of the upcoming expiration of the term of office of Mr. Julián Gracia, upon completion of the four-year term of his appointment, by virtue of the resolution of the Ordinary General Meeting held on June 10, 2017, the Appointment and Remuneration Committee considers it justified and appropriate to propose his re-election as a Director based, among other considerations, on the following:

Mr. Julián Gracia Palacín is an Industrial Engineer and holds a Master's degree in Business Administration and Management from ICADE. He has spent his professional career working in the telecommunications, logistics and consulting sectors, holding management positions in

Tudor, S.A., Hagggen Batterien, and Airtel, S.A., among others. As an entrepreneur he launched his own project, through a group of eleven companies engaged in different activities. He is currently the sole director of Samuelson Logistics, S.A., (a company active in the logistics sector) and Samuelson Consulting, S.A., (a consulting and Internet platform development company). He is also a director of Citynet, S.A., a company engaged in the installation of fiber optic networks, and does consultancy work mainly in areas related to telecommunications. He was appointed director of CAF, S.A. on June 10, 2017 and has been a member of its Appointment and Remuneration Committee since May 6, 2020.

The evaluation process has been based on the prior analysis of the needs of this Board, as well as the skills, knowledge and competences that the Committee has considered most appropriate for the position of director, in accordance with its Board skills matrix.

The Committee has also assessed the suitability of the candidate in accordance with the criteria established in the regulations in force and the best practices of good governance in relation to dedication and independence.

Specifically, the Technical Guide 1/2019 on Appointment and Remuneration Committees, published by the CNMV on February 27, 2019 considers it good practice that proposals for the re-election of directors take into account the same factors as for their first election and, furthermore, assess the performance of the director during the time in which they have held the position and their ability to continue to perform it satisfactorily.

As a result of that assessment, the Committee has found that Mr. Gracia:

- (i) Continues to meet the legal requirements, as well as those of the Rules of the Board of Directors and the Company's Director Selection and Diversity Policy, for appointment as a Director.
- (ii) He has not been and he is not currently subject to any legal prohibition or incompatibility, nor any of the circumstances in which he must tend his resignation to the Board, according to Article 18 of the Rules of the Board of Directors of the Company.
- (iii) Since his appointment, he has performed both the position of Director and that of a member of the Appointment and Remuneration Committee satisfactorily, with the appropriate dedication and commitment to his role. He also has the time and capacity required to continue to fulfill his obligations in an equally satisfactory manner.
- (iv) He has the appropriate skills and knowledge to meet the current requirements of the Board, in accordance with the Board's skills matrix.

In particular, his extensive experience in the fields of business management and strategy and in the performance of senior management functions, particularly in the technology sector, is highly valued. His knowledge of international markets, especially the German market, also stands out. These skills make him the ideal person to continue to sit on the Board and on the Appointment and Remuneration Committee.

- (v) He continues to meet the legal and statutory requirements to be included in the category of Independent Director.
- (vi) Based on the information provided by the candidate, no potential conflicts of interest are identified that could adversely affect his ability to perform his duties properly or his current or future independence.

The results of the analysis carried out regarding the appropriateness of his re-election in the position are also recorded in the minutes of the Committee meeting at which this issue was discussed.

Likewise, the candidate has ratified his conformity with the obligations of the position of Director as well as with the rules and policies of the Company.

In view of the foregoing, the Committee has proposed Mr. Julián Gracia Palacín as a suitable candidate and proposes his re-election as Independent Director for the statutory period of four years.

2.2. Justification of the Proposal

Taking into account the reasons stated by the Appointment and Remuneration Committee, which the Board endorses, the Board of Directors considers that:

The professional experience and background of Mr. Julián Gracia certify both his competence and merits to hold the position of Director and that he meets the requirements of suitability and solvency necessary to continue in the position in accordance with the provisions of the law and internal regulations.

The Board values very favorably the outstanding contribution made by Mr. Gracia to the good management of the Company's interests, both on the Board and as a member of the Appointment and Remuneration Committee, and therefore considers his re-election to the position, with the category of Independent Director, for the statutory period of four years, to be justified and appropriate.

Furthermore, the Board considers that the continuity of the candidate as a Director will contribute to strengthening the diversity and balance already existing in the composition of the two aforementioned bodies, mainly due to his knowledge and professional specialization in areas that the Board considers valuable. It should also be noted that his continuance will make it possible to maintain the significant number of independent Directors, in line with best practices in the field of Corporate Governance.

Finally, it is noted that, in accordance with the provisions of section 2° of article 6 of the Rules of the Appointment and Remuneration Committee, if re-elected at the General Meeting, Mr. Gracia Palacín will continue to hold his position as a vocal of the Committee without the need for a new appointment.

3.- CONCLUSION AND PROPOSAL OF RESOLUTION

In view of the foregoing, the Board considers the following proposed resolution to be justified and submits it to the General Shareholders' Meeting for decision under item 4 of the agenda:

“Fourth:

Re-elect Mr. Julián Gracia Palacín as an Independent Director for the statutory period of four years.”

In Beasain, on April 29, 2021.