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REPORT OF THE AUDIT COMMITTEE ON THE INDEPENDENCE OF THE AUDITOR OF THE ACCOUNTS OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES (CAF GROUP) FOR THE FINANCIAL YEAR 2019

1. INTRODUCTION

Article 529 quaterdecies section 4.f) of the Revised Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of July 2 (hereinafter "**Capital Companies Act**"), assigns the Audit Committee the following function:

“Annually issuing a report that expresses an opinion as to whether or not the independence of the accounts auditor or the auditing companies is compromised, prior to the issuing of the audit report. This report shall contain, as applicable, the reasoned appraisal of provision of each of the additional services referred to in the previous section, considered individually and as a whole, other than legal auditing and in relation to their independence or the legislation that regulates the accounts auditing activity” .

In compliance with the above obligation and in accordance with article 3.g) of the Rules of the Audit Committee of Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter "**CAF**"), the Audit Committee issues this report, prior to issuing the audit report on the accounts.

2. ANALYSIS OF THE STATUTORY AUDITOR'S INDEPENDENCE

2.1 Appointment and relationship with the auditor

The Ordinary General Meeting of Shareholders of CAF held on June 15, 2019 agreed to re-elect DELOITTE, S.L. as the auditor of the individual and consolidated financial statements for financial years 2019 and 2020.

Article 529 quaterdecies section 4.e) of the Capital Companies Act determines, among other issues, that the Audit Committee must establish the appropriate relations with the external auditor in order to receive information on matters that may jeopardize its independence.

In 2019 the external auditor has appeared twice before the Audit Committee, and more specifically at the meetings of February 27 and July 30, 2019.

At these meetings, the external auditor has not reported on any issues that might compromise its independence.

2.2 Auditor's Statement of Independence

On February 27, 2020, the Audit Committee received from the external auditor a written declaration of its independence in relation to the audit of the consolidated financial statements of the CAF Group for the year ended December 31, 2019, referred to in article 529 quaterdecies section 4.e) of the Capital Companies Act.

The aforementioned statement contains written confirmation of the independence of the team in charge of the audit assignment, the auditing company DELOITTE, S.L. and other firms in the network with the extensions applicable to it, as well as information on the audit and non-audit services provided to CAF and its subsidiaries. In addition, it shows that the auditor has not identified during the financial year 2019 any circumstances that could pose a threat to its independence and which, therefore, require the application of safeguard measures or which could give rise to causes of incompatibility.

2.3 Non-audit services provided

The CAF Group has an internal procedure for contracting additional services to the accounts audit from the accounts auditor or companies in its network, which requires the prior approval of the Audit Committee, to ensure that the services do not pose a conflict of independence. This procedure is defined in the internal regulation "Contracting services from the accounts auditor", which is mandatory in the CAF Group.

The detail of the fees for the services provided by DELOITTE in 2019 is as follows (in thousands of euro):

Audit services	Total	659
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Non-audit services	DELOITTE, S.L. and its network in Spain	REST OF THE DELOITTE NETWORK	Total
Verification services	104	40	144
Tax services	-	7	7
Other services	14	-	14
Total	118	47	165

Fees for audit services are not contingent.

Verification services

Included under the heading "Verification services" are:

- 65 thousand euro corresponding to reports on agreed procedures: (i) on financial ratios associated with bank debt, (ii) on certain financial information for bidding on tenders and (iii) on costs incurred in support of grants.
- 58 thousand euro relates to the fees for the limited reviews of the CAF Group's half-yearly financial statements.
- 17.5 thousand euro for verification services of the consolidated non-financial information statement and
- 4 thousand euro for services to verify information relating to the IFICS included in the annual corporate governance report.

Tax Services

The heading "Tax Services" includes fees in the amount of 7 thousand euro derived from the audit of Form no. 3CD in India and the review of certain tax information in the subsidiaries in Mexico, both required by law.

Other services

The heading "Other services" includes 14 thousand euro derived from translations.

In year 2019 the fees for additional non-audit services provided by DELOITTE, S.L. and its network in Spain represent 19.47% of the average fees paid in the last three consecutive years for statutory audits of CAF Group companies.

The Audit Committee has assessed and approved the provision of the non-audit services detailed above and declares that they are not among the services prohibited by Law 22/2015 of July 20 on the Auditing of Accounts (hereinafter the "**Audit Act**").

2.4 Duration of the audit contract and rotation of the auditors

The duration of the audit contract is in accordance with the transitional provision of article 41.1 of Regulation (EU) No. 537/2014 of April 16.

The Board of Directors of CAF has agreed to submit to the General Meeting of Shareholders, when appropriate, the appointment of EY as the auditor of the accounts of CAF and its consolidated group for the financial years 2021, 2022 and 2023, in accordance with the recommendation issued by the Audit Committee, as a result of the audit selection process carried out.

In relation to the rotation of auditors, article 40.2 of the Audit Act together with article 17.7 of Regulation (EU) no. 537/2014 of April 16 establishes, among other things, that the main auditors responsible for statutory audit work must be replaced after five years from the initial contract.

In year 2017 there was a change in the partner of DELOITTE, S.L. responsible for the statutory audit of the consolidated financial statements of the CAF Group.

In accordance with the foregoing, the Audit Committee finds that the legal obligations regarding the duration of the audit contract and the rotation of the auditors have been met.

3 CONCLUSION

Based on the information obtained and the above considerations, CAF's Audit Committee has not identified any aspects that would call into question compliance with current regulations on auditing the accounts in terms of auditor independence.

This report was unanimously approved at the Audit Committee meeting held on February 27, 2020, and will be published on the corporate website sufficiently in advance of the Ordinary General Meeting of Shareholders, as established in Recommendation no. 6 of the Code of Good Governance of Listed Companies.

In Beasain, February 27, 2020