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## **PROPOSAL AND JUSTIFICATION REPORT BY THE BOARD OF DIRECTORS REGARDING THE APPOINTMENT OF MR. MANUEL DOMÍNGUEZ DE LA MAZA AS A DIRECTOR OF THE COMPANY, INCLUDED IN ITEM 5.4 OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS**

### **1.- INTRODUCTION**

In accordance with the provisions of article 529 decies of the revised text of the Capital Companies Act (the "Capital Companies Act"), and article 15 of the Regulations of the Board of Directors, the proposal for the appointment or re-election of the members of the Board of Directors who are not independent corresponds to the Board itself. This 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 attached to the minutes of the general meeting or of the Board itself. The proposal for the appointment or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee.

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("CAF" or the "Company") has agreed to call a General Meeting of Shareholders on June 13, 2020 on first call, and on the following day on second call, including the following proposal under item 5 of the Agenda:

*"Fifth:*

(...)

*5.4. To appoint Mr. Manuel Domínguez de la Maza as a Proprietary Director, for the statutory period of four years.*

(...)"

The purpose of this report is: (i) to justify the proposed appointment of Mr. Manuel Domínguez de la Maza as a Proprietary Director for a period of four years, and (ii) to assess the competence, experience and merits of the proposed candidate. All of the above, in view of the previous report issued by the Nomination and Remuneration Committee in relation to this proposal, at a meeting held prior to this Board meeting.

The aforementioned prior report of the Committee is made available to the shareholders together with this report drafted by the Board.

It is also noted that, for the purposes of article 518 e) of the Capital Companies Act, this report contains full information on the identity, curriculum vitae and category of the candidate proposed for appointment.

### **2. JUSTIFICATION OF THE PROPOSAL**

With regard to the proposal concerning the above appointment, the Board reports as follows:



## 2.1. Nomination and Remuneration Committee Report

Currently, and as indicated in the notifications to the CNMV, Indumenta Pueri, S.L. indirectly holds (through the company Global Portfolio Investments, S .L.) 5.022% of the Company's capital stock.

This Board has analyzed the convenience of proposing to the Meeting the appointment of a new Proprietary Director, representing the aforementioned shareholder.

In relation to the above, the Nomination and Remuneration Committee has issued the required report, favorably evaluating the appointment of Mr. Manuel Domínguez de la Maza as a Proprietary Director, representing Indumenta Pueri, S.L., for the statutory period of four years. In doing so, it has taken into consideration, among other things, the following factors:

Mr. Manuel Domínguez de la Maza has a degree in Economics from the University of Málaga and an MBA from IESE, a Master's in Leadership from Columbia University, as well as other postgraduate studies. He has developed most of his career at Mayoral Moda Infantil, S.A. where he has been the General Manager since 2007. He is also a member of the Board of Directors of Indumenta Pueri, S.L.

As a result of its analysis, the Committee has found that the proposed candidate:

- (i) Complies with the legal requirements, as well as with the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, in order to be appointed as a director.
- (ii) He does not incur in any legal prohibition or incompatibility, nor in any of the cases in which he must place his position at the disposal of the Board, according to article 18 of the Regulations of the Board of Directors of the Company.
- (iii) He has the time and capacity required to fulfill his obligations in an equally satisfactory manner.
- (iv) He has the skills and knowledge necessary for board member candidates.

In particular, his qualified curriculum vitae and his previous experience in the fields of business management and strategy, international market expansion and senior management are highly valued by the Company. Furthermore, these competences are appropriate, according to the assessment previously carried out by the Committee in relation to the necessary profiles on this Board.

- (v) He meets the legal and statutory requirements to be included in the category of Proprietary Director. The Committee has ascertained that the appointment of a proprietary director representing Indumenta Pueri, S.L. is appropriate in view of the shareholding of the aforementioned significant shareholder in the Company.
- (vi) According to the information provided by the candidate, he is not involved in any potential conflict of interest that might adversely affect his ability to perform his duties properly.

The above conclusions are also reflected 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.

Consequently, the Committee has reported favorably on the appointment of Mr. Manuel Domínguez de la Maza as a Proprietary Director for the statutory period of four years.



## **2.2. Justification of the Proposal**

Within the framework of the foregoing, in accordance with the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, and taking into consideration the reasons stated by the Nomination and Remuneration Committee (which the Board endorses), the Board of Directors considers that:

Mr. Manuel Domínguez de la Maza has competence, experience and proven merits that add value to the Company, and he fulfills the conditions to be appointed as a member of the Board of Directors. The Board highly values, among other aspects, his broad knowledge and extensive experience in management positions of the highest responsibility, and in the leadership of internationalization and market diversification processes, as well as his willingness to exercise his own functions as a director. All reasons that justify the proposal for his appointment.

Since Mr. Domínguez de la Maza represents the significant shareholder of CAF, Indumenta Pueri, S.L., and in accordance with the provisions of section 3 of article 529 duodecies of the Capital Companies Act, he should be classified as a proprietary director.

## **3. CONCLUSION AND PROPOSALS FOR AGREEMENTS**

In view of the foregoing, the Board considers the following proposed resolution to be justified and submits it to the General Meeting of Shareholders for decision under item 5.4 of the agenda:

*"5.4. Appoint Mr. Manuel Domínguez de la Maza as a Proprietary Director, for the statutory period of four years"*

In the event that the General Meeting adopts the resolutions proposed under items 5.1 to 5.3 of the agenda, the appointment of Mr. Manuel Domínguez de la Maza as a new Proprietary Director will imply the corresponding increase to eleven (11) in the number of members of this Board.

Consequently, and following a proposal from the Nomination and Remuneration Committee, the Board will submit to the Meeting, under item 5.5 of the agenda, the proposal to set the number of members of the Board of Directors at eleven (11).

In Beasain, May 6, 2020.