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REASONED PROPOSAL FOR THE DIRECTOR REMUNERATION POLICY PRESENTED BY THE BOARD OF DIRECTORS OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Among other points, the Capital Companies Act establishes the need for listed companies to have a director remuneration policy, which must be submitted to the approval of the Shareholders in their General Meeting for application for a maximum period of three years. The reasoned remuneration policy should be proposed to the Shareholders in their General Meeting by the Board of Directors, accompanied by a report from the Appointment and Remuneration Committee.

At the Company's Ordinary General Meeting held on June 11, 2022, the Shareholders approved a remuneration policy for the 2022 fiscal year and for the three fiscal years following its approval, i.e. the 2023, 2024 and 2025 fiscal years, in accordance with the provisions of Article 529 *novodecies* of the Capital Companies Act.

In the exercise of its duties, the Appointment and Remuneration Committee has regularly analyzed the application of said policy, in order to ensure its suitability and alignment with the evolution of the Company, the market, the expectations of stakeholders and the best practices in the matter. As a result, it has made a proposal to this Board for the approval of a new director remuneration policy, replacing the current one.

In view of the foregoing, the Company's Board of Directors has resolved to submit a proposed new remuneration policy for the Company's directors to the Shareholders for approval in their Ordinary General Meeting to be held on June 15 and 16, 2024, in its first and second call, respectively, to be applied from the date of its approval and for the following two fiscal years, that is, for the remainder of the 2024 fiscal year and the 2025 and 2026 fiscal years (hereinafter, the "**Remuneration Policy**"), the text of which is attached hereto as **Annex 1**.

Section 1.4 of the attached Remuneration Policy describes the main changes it incorporates with respect to that applied by the Company in recent years, which, on the one hand, can be summed up as further development of the features of the variable remuneration system, both short and long term and on the other, the inclusion of the possibility of remunerating executive directors through shares, stock options, or remuneration indexed to the value thereof.

These developments, together with a rigorous analysis of comparable companies performed by specialized external advisors commissioned by the Appointment and Remuneration Committee, as well as the dialog process maintained by the Company with its shareholders, institutional investors and proxy advisors, reflect CAF's efforts to align the Remuneration Policy with the Company's performance expectations and to strengthen investor confidence.

For its part, the Appointment and Remuneration Committee has issued the mandatory report justifying this proposal, in which it concludes that its content is in line with current regulations and good practices on the subject of remuneration, meets the criteria of prudence in the assumption of risk, good governance and transparency and furthermore is in line with shareholder interests.

The Board fully endorses these conclusions and, in light thereof, considers it appropriate to submit this Remuneration Policy proposal to the Company's Shareholders in their General Meeting for approval as Item Eight on its agenda.

Both this proposal and the justification report by the Appointment and Remuneration Committee will be made available to shareholders in the manner provided for in Article 529 *novodecies* of the Capital Companies Act, together with the rest of the relevant documentation, at the time of calling of the general meeting.

In San Sebastian, May 9, 2024.

ANNEX 1

PROPOSED BOARD MEMBER REMUNERATION POLICY OF “CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.” (CAF)

1. PURPOSE AND REGULATORY FRAMEWORK

1.1 Purpose and legal framework

Among other points, the Capital Companies Act establishes, the need for listed companies to have a board member remuneration policy which is to be submitted to the approval of the Shareholders in their General Meeting for application for a maximum period of three years.

In line with the proposal by the Appointment and Remuneration Committee, the Company's Board of Directors has resolved to submit a new remuneration policy for the Company's board members to the Shareholders in their Ordinary General Shareholders' Meeting for approval, for application as from the date of approval and for the following three fiscal years, that is, for the remainder of the 2024 fiscal year and for the 2025 and 2026 fiscal years.

This proposed remuneration policy is accompanied by the corresponding report by the Appointment and Remuneration Committee, available to the shareholders on the Company's website from the issuance of the convening notice for the first and second sessions of the General Shareholders' Meeting on June 15 and 16, 2024, respectively, in accordance with the provisions of Article 529 *novodecies* Section 4 of the Capital Companies Act.

This proposed remuneration policy introduces modifications with respect to the previous policy in order to bring it into line with the highest standards of corporate governance and best market practices, including the provisions of the Code of Good Governance of Listed Companies, for which purpose the opinion of CAF's significant shareholders and institutional investors and proxy advisors has also been taken into account.

1.2 Statutory and regulatory framework

The statutory framework applicable to the remuneration of the directors of CAF is contained in Article 39 of the bylaws and Article 22 of the Board of Directors regulations:

Article 3 of the Appointment and Remuneration Committee regulations gives this committee certain additional powers with regard to the remuneration of CAF board members.

Both the content of CAF bylaws and the respective regulations of its Board of Directors and Appointment and Remuneration Committee are available to shareholders and investors on the Company's website (www.caf.net).

1.3 Decision-making process

This remuneration policy was formulated by means of a reasoned proposal by the Board of Directors dated May 9, 2024, having been the subject of a prior proposal and a specific report by the Appointment and Remuneration Committee, as provided for in Article 529 *novodecies*, Section 4 of the Capital Companies Act and Article 3.13 of the CAF Appointment and Remuneration Committee regulations.

Both the Board of Directors in its reasoned proposal and the Appointment and Remuneration Committee in its previous proposal and report to the Board of Directors have taken into account the information and opinions on remuneration matters received from significant shareholders and institutional investors of CAF and proxy advisors in the consultation processes carried out with them by the entity, as well as the guidelines of the proxy advisors contained in their policies or guidelines. Both the Board of Directors and the Appointment and Remuneration Committee have also taken into account that the remuneration policy must be aligned with the principles and recommendations of the Code of Good Governance for listed companies in Spain regarding the remuneration of directors.

The reviewing of the remuneration policy is also entrusted to the Appointment and Remuneration Committee, pursuant to the provisions of Article 3.14 of its regulations.

Likewise, the determination of the remuneration of each board member, as such or for the performing of their executive duties, corresponds to the Company's Board of Directors, which will decide based on the corresponding proposal from the Appointment and Remuneration Committee.

All of the foregoing, as well as the legal duties to avoid situations of conflict of interest, as set forth in the Board's Regulations, guarantee the absence of conflicts of interest when defining, applying and reviewing the director remuneration policy.

The objective of minimizing the appearance of conflicts of interest when applying the remuneration policy is also achieved through various additional mechanisms:

- 1.3.1 The absence of guaranteed variable remuneration.
- 1.3.2 The application of malus and clawback clauses in relation to the variable remuneration of executive directors.
- 1.3.3 The introduction of non-financial parameters in the variable components of remuneration that will be measured with reference to opinions or evaluations by third parties.

1.4 Main changes in the board member remuneration policy with respect to the previous policy

This section details the main changes that have been incorporated into this new remuneration policy with respect to the previous policy.

These amendments are, in part, a reflection of a deliberate dialog process with shareholders and institutional investors, as well as proxy advisors, initiated as a result of the dissent observed with respect to the previous Remuneration Policy, which highlighted the need for a review of the Policy to more closely align the expectations of shareholders and institutional investors with CAF's remuneration practices.

In this policy, emphasis has been placed on the further development of the features of the variable remuneration system, both in the short and especially in the long term. In addition, the possibility of remunerating executive directors by means of shares, stock options, or remuneration indexed to the value of the shares, whether of the company or of companies belonging to its group, has been introduced. In addition, the option of combining these concepts to offer a more flexible compensation package that is aligned with the interests of CAF and its shareholders is also contemplated.

In order to ensure that the remuneration structure is as competitive as possible and in line with best market practices, an exhaustive analysis of mid-cap companies comparable to CAF in terms of turnover and size has also been carried out with the support of specialized external advisors. This analysis has allowed for a more accurate and contextualized assessment of remuneration in relation to previous mid-cap companies, concluding that CAF's remuneration components are generally below the average of this group of comparable businesses, indicating that CAF has taken a very prudent approach to its remuneration structure to date.

As a result of the above, this policy aims to update and establish limits to the remuneration components in line with those capitalization companies that are comparable to CAF in terms of turnover and size, while avoiding sharp increases in remuneration between fiscal years. To this end, a gradual approach will be implemented, where short-term variable remuneration will not operate at its maximum limit in 2024 or 2025, but may gradually increase in successive years until it reaches the maximum limit at the end of the Policy period. This will allow the Appointment and Remuneration Committee to consider performance and contribution over the next few years, before fully aligning with market practice.

In conclusion, this new remuneration policy differs from the previous one in the greater development of the features of the variable remuneration system and the inclusion of the possibility of remunerating executive directors by means of shares, stock options, or remuneration linked to their value. Along with more rigorous analysis of comparable companies and greater interaction with shareholders, institutional investors and proxy advisors, these developments reflect CAF's effort to align policy with performance expectations and strengthen investor confidence.

2. GENERAL CRITERIA AND PRINCIPLES OF THE REMUNERATION POLICY

2.1 The general remuneration policy for CAF board members is based on the following criteria:

2.1.1 General criteria

- (a) in general, the company seeks to be in line with market criteria, on the basis of the remuneration established for board members of listed companies of a similar size and activity to CAF's, in accordance with the public information provided by these companies, as well as complying with the principles of moderation and caution
- (b) the remuneration system is based on the fundamental principle of attracting and retaining the best professionals, remunerating them in line with their level of responsibility and their track record, based on internal fairness and external competitiveness
- (c) CAF similarly considers that the remuneration scheme for its board members and directors is a key factor that contributes to the company's business strategy and the company's interests, sustainability and long-term creation of value, specifically, in order to ensure that this remuneration is in line with the company's business performance and that there is an adequate distribution of profit to shareholders, therefore being in the interest of shareholders and workers alike
- (d) CAF's remuneration system is in line with the provisions of the applicable legal regulations at all times, with the aim of incorporating the standards and principles of the best generally accepted national and international practices with regard to remuneration and corporate good governance at any given time.

2.1.2 Criteria relating to external board members

- (a) with regard to non-executive directors, remuneration should be sufficient to reward their dedication, qualification and responsibility
- (b) in the specific case of board members who are neither executive nor proprietary, this remuneration shall be set at a level that in no way challenges their independence of judgment
- (c) the remuneration policy seeks to foster the motivation and retention of the most suitable professionals.

2.1.3 Criteria relating to executive directors

With regard to executive directors, the remuneration policy for the performance of executive duties, other than supervisory and joint decision duties, is specifically based on the following premises:

- (a) offering these board members a remuneration that makes it possible to attract, retain and motivate the most suitable professionals, to allow the Company to meet its strategic objectives within the increasingly competitive and internationalized environment in which it operates
- (b) having a competitive global remuneration level with regard to peer companies in the sector.

The remuneration envisaged pursuant to the aforementioned general criteria is in line with that of other listed companies, using criteria in relation to size, turnover or market capitalization similar to those of CAF for comparison.

3. REMUNERATION STRUCTURE

CAF's Board of Directors has considered it appropriate to propose a remuneration policy that takes into account the remuneration applied by peer companies, using them as a benchmark to determine the remuneration of its directors while also taking into consideration the Company's commitment to creating value for its workers and shareholders. In relation to the comparable companies, analysis has been carried out on a comparative group selected from the list of mid-cap companies that are most comparable to CAF in terms of turnover and size.

The remuneration comprising the following items for each of the types of board members (i.e. board members in their capacity as such and executive directors) has been considered sufficiently attractive to retain and motivate board members. For each of these items, maximum limits are established that are in line with the comparable companies and which may not under any circumstances be exceeded during the term of the policy.

At least at the present time, it is not considered necessary to introduce any advances, guarantees or credit as remuneration items, although their incorporation in subsequent years within the term of this policy is not ruled out.

It is considered that the proposed remuneration scheme contributes to the business strategy and to the company's interests, sustainability and creation of long-term value, an objective that is achieved through an appropriate balance between fixed and variable remuneration and, in the latter case, by setting parameters that address the viability and sustainability of the CAF group in both the short and long term. This is the case either because of the period of accrual of the variable remuneration itself or because the achievement of these objectives, even when measured annually, has a medium and long-term impact on the group's sustainability.

Additionally, this remuneration policy has been formulated taking into account (i) the principles applicable to the remuneration and employment of the Company's employees and, in particular, those of non-discrimination based on sex, age, culture, religion, or race when applying remuneration policies, remunerating its professionals in accordance with their level of performance, leadership and responsibility, thus promoting the motivation and retention of the most suitable professionals and (ii) the opinion of the CAF's proxy advisors and significant shareholders and institutional investors.

Given all the above, the director remuneration system, which provides for two distinct systems: one for board members in their capacity as such and another for executive directors, is described below.

3.1 Remuneration structure of board members in their capacity as such:

The members of the Board of Directors shall be remunerated in their capacity as such by means of one or more of the following concepts appearing in Article 39 of the company's bylaws:

In the 2023 fiscal year, the Appointment and Remuneration Committee submitted the following proposal to the Board of Directors for the remuneration of board members in their capacity as such and this was approved, to be applied until 2025:

- 3.1.1 a fixed allowance for membership of the Board of Directors, in the amount of €75,000 per year per director, to adequately remunerate the responsibility and dedication required by the position, but without reaching levels that might undermine the director's independence.
- 3.1.2 a fixed allowance for committee membership, in the amount of €25,000 per year per committee to which they are a member, to remunerate membership and dedication to the committees of the Board of Directors.
- 3.1.3 per diem amounts for attending the meetings held by the Board of Directors, in the amount of €40,000 per year per director, to cover the costs incurred when attending Board of Directors meetings.
- 3.1.4 a fixed allowance for the performance of other duties or responsibilities, in order to remunerate certain positions held by some board members, with the following amounts: €100,000 per year for the Chairman of the Board of Directors, €50,000 per year for the Secretary of the Board of Directors and €10,000 per year for each Chairman of each of the Committees.

The Appointment and Remuneration Committee may issue a proposal for a review of the above amounts as of the 2025 fiscal year (at which time three years will have elapsed since the last increase in the above remuneration items), taking into account salary increases for CAF employees, increases in the remuneration paid by competitors and other relevant economic criteria such as the Consumer Price Index (CPI). The Appointment and Remuneration Committee may also propose other remuneration during the term of this Policy in accordance with the provisions of the Company's bylaws in force at any given time.

The maximum amount of the annual remuneration for all board members in their condition as such, including all the concepts indicated above, is established as the amount of €2,420,000, thus maintaining the limit established in the previous policy. This amount is set as a maximum limit, with no obligation to reach this amount, as it aims to cover any possible changes that may arise during the term of the policy with regard to the composition of the Board or the commissions or the remuneration considerations in relation to the responsibilities and services provided by each board members.

The setting of this maximum amount is based on the size of the Board of Directors, comprising a total of eleven board members. Should the number of board members be increased or decreased during the term of the policy within the maximum and minimum number provided for in the bylaws, then the aforementioned maximum amount shall be proportionally increased or decreased.

Given that this amount, as well as those included in the other paragraphs of this Section 3.1, is the maximum, the Board of Directors shall be responsible for deciding on the remuneration corresponding to each director and for specifying the remuneration items, as mentioned above. This shall take into account the duties and responsibilities of each board member, the performance of specific tasks or services, other than general ones corresponding to any board member, membership of Board committees, or any other objective circumstance that it may consider relevant.

In order to determine the remuneration of each board members in their capacity as such, the Company's Board of Directors will take the corresponding proposal from the Appointment and Remuneration Committee as a base.

3.2 Remuneration structure of executive directors:

3.2.1 Remunerative items

In line with the provisions of Article 39 of the Company's bylaws, board members who are executive directors pursuant to the provisions of Article 529 duodecies, Section 1 of the Capital Companies Act may receive remuneration consisting of one or more of the following items in addition to the items set forth in the foregoing Section 3.1:

- (a) Fixed annual remuneration of €510,000 for the Chief Executive Officer for the purpose of remunerating, based on the level of responsibility and professional career, the performance of executive duties. This amount will operate as a maximum for other executive directors and may be raised by resolution of the Board of Directors during the term of the policy up to a maximum of €650,000, thus maintaining the limit set in the previous Remuneration Policy.

In all circumstances, the maximum of €650,000 is set as a limit that does not necessarily have to be reached. Additionally, increases in fixed remuneration will be made taking into account the evolution of CAF employees' salaries and the appropriate adjustments in accordance with economic criteria such as the Consumer Price Index (CPI). Exceptionally, and based on a review of the levels of responsibility and/or repositioning according to data from companies with average capitalization comparable to CAF in terms of turnover and size, increases may be granted that exceed the general increases, without these annual increases exceeding the limit indicated at the beginning of this paragraph or representing an increase of more than 10% each year.

- (b) Variable remuneration, both short and long-term, which will be accrued based on indicators or parameters linked to their performance and that of the Company or its group, as described in Section 3.2.2, below.

In the 2024 fiscal year, the short-term variable remuneration to be received by executive directors may not exceed €150,000. However, short-term variable remuneration may be increased during the remaining term of this Remuneration Policy, without under any circumstances exceeding 50% of the fixed salary, for 100% compliance with the objectives or 60% in the event of compliance above 100% in all economic-financial metrics, these limits being conservative in comparison with those applicable to companies with average capitalization comparable to CAF in terms of turnover and size.

In all circumstances, as indicated in Section 1.4, the short-term variable remuneration will not operate at its maximum limit in 2024 or 2025, but may be gradually increased during the Policy period until it reaches the maximum limit at the end of the Policy.

With regard to long-term variable remuneration, the approved long-term incentive plan in force until the 2026 fiscal year establishes an accrual limit, for a degree of compliance of 100% of objectives, of 50% annualized of the fixed salary for the 2023 fiscal year (without detriment to the possibility of paying a higher incentive in the event of overcompliance, pursuant to the provisions of Section 3.2.2(b) below).

- (c) A welfare benefit consisting of life insurance on market terms, the premium for which may be modified annually by the insurance company based on various criteria, such as age.
- (d) A long-term savings system, with defined contributions and covering the following causal events: retirement, death, absolute permanent disability and severe disability. This is a well-established and company-specific remuneration concept for senior executives, although the current system, applicable as of the 2022 fiscal year, is more favorable for the Company than the previous system, since it is a defined contribution system with limited costs as opposed to the defined benefit system that existed previously. In addition, the annual contributions are predefined and cannot be increased during the life of the Policy.

The limit on ordinary contributions will be established as a percentage of the pensionable salary, under the terms established for each beneficiary in the plan's regulations. This shall not exceed 30% of the pensionable salary for executive directors, except in the case of the Chief Executive Officer, whose limit shall be €205,000 per year. These limits shall not be raised in future years under any circumstances, with the aim being to align them with best market practices. Any extraordinary contributions agreed as an exception to retroactively compensate for years of seniority in the company without participation in the previous long-term savings system, due to end in 2027, will also remain unchanged, in line with the planning already agreed by the Board of Directors. In any event, the extraordinary contributions will not be applicable to new executive directors and will be definitively eliminated at the end of the 2027 fiscal year.

It should be noted that the amount of the contributions to the long-term savings system is not consolidated as fixed salary and is not included in the calculation of variable remuneration, nor for revisions of the fixed salary approved by the collective bargaining agreement, since the fixed remuneration of executive directors is moderate in comparison with companies which, according to the analysis carried out with the support of specialized external advisors, are comparable to CAF.

- (e) Severance payments, provided the termination was not due to a failure to comply with their duties as a board members. The purpose of such compensation is to remunerate the services rendered by the director and to provide protection by encouraging the attraction and retention of high-level executive talent.

In any event, this compensation, which is only applicable to the Chief Executive Officer, may not exceed two years of their fixed remuneration.

- (f) Compensation for the assuming of post-contractual non-compete and exclusivity obligations. Notwithstanding the foregoing, although there are currently post-contractual exclusivity and non-compete obligations for the Chief Executive Officer, the assumption of these obligations does not accrue additional remuneration.

The Board of Directors is responsible for the individual determination of the remuneration of each executive director within the framework of this remuneration policy, following a proposal and report from the Appointment and Remuneration Committee.

3.2.2 Variable remuneration

In defining the components of the remuneration system, CAF always takes into account its own long-term interests and, in particular, ensures that these are in line with the evolution of the company's results and that profit is distributed appropriately to shareholders.

For this purpose, board members who fall within the executive category in accordance with article 529 duodecies of the Capital Companies Act shall receive variable remuneration (both in the short-term and long-term) governed by the terms described in this section.

(a) Annual Variable Remuneration

At the proposal of the Appointment and Remuneration Committee, each year the Board of Directors shall establish the maximum amount to which the annual variable remuneration may amount, subject to the maximums indicated in Section 3.2.1(b) above, ensuring that an appropriate balance is maintained with that of the fixed components, so that it constitutes an adequate incentive without detracting from its complementary nature with respect to the fixed amounts.

The annual variable remuneration is linked to the achievement of specific, ambitious but realistic financial objectives and non-financial objectives that

accurately reflect the Company's expectations, which will be predetermined for each fiscal year by the Board of Directors on the basis of a proposal made by the Appointment and Remuneration Committee.

The financial objectives shall have a minimum weight of 80% of the total short-term incentive and must be specific, quantifiable and aligned with the Company's corporate interest and strategic objectives. Some examples of financial parameters that could be included are the achievement of a certain level of contracting, sales, pre-tax profits or cash flow. Parameters referenced to the value of the shares may also be included, subject to the approval of the Shareholders in their General Meeting.

Non-financial objectives will have a maximum weight of 20% of the total short-term incentive and will promote sustainability and long-term value creation for the Company. Examples of non-financial metrics that could be included are the level of customer satisfaction, the organizational health index, the result of the Ecovadis assessment, the reduction of CO₂ emissions or other ESG parameters and indicators that promote the Company's sustainability or corporate social responsibility.

Minimum objectives will also be set for each of the parameters determined, below which the short-term variable remuneration associated with the parameter in question will not be accrued. If the minimum targets set are achieved, the variable remuneration will accrue on a straight-line basis according to the degree of achievement of the targets.

Additionally, one or more parameters may be classed as key parameters, which means that the achieving of the minimum objectives associated with these parameters will be an indispensable requirement in order for variable remuneration in relation to the remaining parameters to be earned.

The Annual Board Member Remuneration Report shall provide information on the metrics and weightings defined for each year, as well as on the incentive accrued based on the degree of achievement of objectives.

With regard to the functioning of the annual variable remuneration, as indicated at the beginning of this section, each year, at the beginning of the fiscal year, the Board of Directors shall determine the maximum amount this may reach, the parameters on which it is based, its weighting, the inclusion, (where applicable) of key parameters and the objectives to be achieved in relation to each parameter, in line with the proposal of the Appointment and Remuneration Committee.

At the end of the fiscal year, the Board of Directors is responsible for assessing the degree of compliance with the aforementioned objectives and determining the annual variable remuneration accrued, following a proposal from the Appointment and Remuneration Committee.

The methods for assessing the degree of compliance shall be those that are appropriate in each case to determine the extent to which the performance criteria have been met. Compliance with the financial parameters will thus be

measured on the basis of the financial statements prepared each year by the Board. The measurement of non-financial parameters may be carried out by means of satisfaction surveys, evaluations carried out by independent third parties or other procedures that are suitable for this purpose at the discretion of the Board of Directors.

The actual achievement of each financial parameter will be available in the annual accounts published by the Company, while the achievement of the non-financial parameters will be available in the sustainability report. All of the foregoing will also be reported in the Annual Report on Board Member Remuneration.

In all circumstances, it should be noted that, although the accrual period of the annual variable remuneration is one fiscal year, it contributes to the achievement of the Company's results and sustainable performance, both in the short and long term, given that (i) the achievement of the objectives on which it is based is expected to have an impact on the Group's performance both in the short term (as is the case with parameters such as the level of cash flow or sales) and in the long term (as is the case with parameters such as the level of contracting and sustainability indicators) and (ii) due to the nature of CAF's business, the achieving of the objective in relation to various parameters, such as the level of contracting or customer satisfaction, is the result of prior dedication of resources and efforts over a significantly longer period of time.

For the accrual of the annual variable remuneration, the beneficiaries must remain in the company for the entire fiscal year and shall lose their right to such remuneration if they leave the company during said year.

The annual variable remuneration may be paid in cash, in shares or stock options, or through instruments referenced to the value of the shares, whether in the Company or in companies in its group, or through a combination of the above. Remuneration consisting of the delivery of shares, stock options or instruments referenced to the value of the shares shall require a resolution by the Shareholders in their General Meeting.

When the annual variable remuneration is paid in shares, or in stock options or through instruments referenced to the value of the shares, the executive directors may not transfer their ownership or exercise them until a period of at least three (3) years has elapsed while continuing to hold this position.

An exception to the provisions of the preceding paragraph is made in the case in which at the time of the transfer or exercise, the executive director maintains a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice their annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the executive director should need to dispose of in order to meet the costs related to their acquisition or, subject to the favorable opinion of the Appointment and Remuneration Committee, to face extraordinary situations that may arise.

The payment of the annual variable remuneration may be deferred in time from the end of the fiscal year. The Board of Directors may reduce and/or claim the return of the annual variable remuneration amount paid to the beneficiaries of this incentive in the event of any circumstance that makes this advisable. This includes the identification of any error in the calculation thereof or in the measurement of the degree of achievement of the objectives, the introduction of qualified opinions in the audit report, the need to restate the Company's financial statements or the existence of serious breaches of its obligations by the aforesaid beneficiaries. The reduction and/or refund of the incentive may be total depending on the severity of the event giving rise to said reduction and/or refund.

(b) Long-Term Incentive Plan.

The Company has approved a Long-Term Incentive Plan for the period from January 1, 2023 to December 31, 2026, covering the entire cycle of the Strategic Plan and the duration of this Remuneration Policy.

In the drawing up of the long-term incentive plan for executive directors and other members of the Group's management team, the Appointment and Remuneration Committee has worked to align it with the highest market standards, with the help of specialized external advice for this purpose. Before formulating its proposal to the Board of Directors, the Appointment and Remuneration Committee verified the contents of the proposal with the main proxy advisors, as well as with CAF's significant shareholders and institutional investors, seeking their comments, which were taken into consideration.

As indicated in Section 3.2.1, the maximum amount of the Long-Term Incentive Plan shall be 50% annualized of the fixed salary of the executive directors corresponding to the 2023 fiscal year, which shall be reached in the event of 100% compliance with the established objectives (without detriment to the possibility of payment of a higher incentive in the event of overcompliance as provided for in this section).

In order to determine this amount, a comparative group of 18 companies with their parent company located in Spain and a size in terms of turnover, employees, assets and market capitalization comparable to that of CAF was analyzed. From the analysis of the data of this sample, obtained after a study outsourced to an external specialized consulting firm of recognized prestige, it has been concluded that the amount of the long-term incentive is in line with comparable companies.

In terms of parameters, the achievement of the long-term incentive plan will be measured based on a financial metric (aggregate EBIT Operating Result for the period 2023-2026) and a non-financial metric (Reduction of CO₂ Emissions (Scope 3) by the end of 2026), with a weight of 85% and 15%, respectively, of the total incentive. In determining the weighting between the two metrics, suggestions received from external advisors, proxy advisors, shareholders and investors were taken into account.

The aggregate EBIT Operating Income metric is included because it is considered an essential element of the Strategic Plan, on which the management team is focused to the maximum, as it is a key parameter for the long-term growth of the CAF group.

The Reduction of CO₂ Emissions (Scope 3) metric has been introduced in response to suggestions received from the main proxy advisors to incorporate non-financial parameters in the long-term incentive plan. Of the possible non-financial metrics, that chosen is deemed to be particularly relevant as it constitutes one of the main sustainability goals established in the Strategic Plan and is in line with the considerable decarbonization commitments assumed by the Company with its stakeholders.

With regard to the aggregate EBIT Operating Income metric for the 2023-2026 period, a target of 981.6 million euros is set, which is in line with the aspirations for 2026 set out in the Strategic Plan and represents a demanding and challenging target for the management team.

The incentive corresponding to this metric is accrued as follows:

- (i) Below an aggregate EBIT amount of €785.28 million, no incentive associated with this metric is accrued;
- (ii) In the event of aggregate EBIT between €785.28 million and €981.6 million, between 50% and 100% of the incentive accrues on a straight-line basis;
- (iii) In the event of aggregate EBIT between €981.6 million and €1.10921 billion, between 100% and 124% of the incentive is accrued on a straight-line basis; and
- (iv) Above an aggregate EBIT of €1.10921 billion, 124% of the incentive is accrued.

With regard to the metric of the Reduction of CO₂ Emissions (Scope 3), a 50% reduction target has been set for the end of 2026, which represents a 25% increase with respect to the target established in the Strategic Plan (set at a 40% reduction), as proof of CAF's commitment to sustainable mobility, which is one of the main pillars of the new Strategic Plan. It should also be noted that the Reduction of Scope 3 CO₂ Emissions is not cumulative from year to year but rather depends on the mix of product (with a greater or lesser diesel or electric component) sold each year, so the percentage reduction achieved in one year does not guarantee that result in the following year.

The incentive corresponding to this metric is accrued as follows:

- (i) Below a CO₂ Emissions (Scope 3) reduction level of 32%, no incentive associated with this metric is accrued
- (ii) In the event that the of CO₂ Emissions (Scope 3) reduction level is between 32% and 50%, 50% to 100% of the incentive is accrued on a straight-line basis

- (iii) Above a CO2 Emissions (Scope 3) reduction level of 50%, 100% of the incentive is accrued.

Each metric operates independently, establishing a minimum aggregate EBIT Operating Income amount below which no incentive associated with this metric is accrued and a minimum CO2 emissions (Scope 3) reduction level below which no incentive associated with this other metric is accrued. In addition, a minimum aggregate EBIT Operating Income is established as a key element, below which no incentive will be accrued, even if the objectives of the other metric are met.

Likewise, in order to accrue more than 100% of the incentive corresponding to the aggregate EBIT Operating Income metric, the EBIT margin on Sales for the 2026 fiscal year needs to be higher than the weighted average of a comparative group.

Regarding the methods for assessing the degree of compliance, the aggregate EBIT Operating Income parameter will be measured on the basis of the financial statements and management report prepared each year by the Board. The measurement of the CO₂ Emission (Scope 3) Reduction parameter will take place through internal measurements validated by an independent external certifier.

In order to accrue the incentive under the plan, the beneficiaries of the plan must still be with the company as at December 31, 2026. However, the right to receive the incentive prorated on the basis of the time actually worked from the start date of the long-term incentive plan shall subsist in the event that the termination of the relationship occurs for any of the reasons set forth in the Plan Regulations, such as death, retirement or the declaration of permanent disability, among other factors.

Additional information on the metrics, their weightings, the objectives to be met and other considerations of the Long-Term Incentive Plan is provided in Section B.7 of the Annual Report on Board Member Remuneration for the 2023 fiscal year.

In the particular case of the Long-Term Incentive Plan approved for the 2023-2026 period, it has been agreed that, if the objectives of the plan are met, the incentive will be paid in cash once the results of the 2026 fiscal year have been approved at the General Shareholders' Meeting held in 2027.

Finally, the Board of Directors may reduce and/or claim the return of the Incentive payment from the beneficiaries of the long-term Incentive Plan in the event of any circumstance that makes this advisable, such as the identification of any error in the calculation thereof or in the measurement of the degree of achievement of the objectives, the introduction of qualified opinions in the audit report or the need to restate the Company's financial statements or the existence of serious breaches of its obligations by the Beneficiaries. The reduction and/or refund of the incentive may be total depending on the severity of the event giving rise to said reduction and/or refund.

3.2.3 Remuneration mix

The remuneration structure for CAF's executive directors has evolved from initially consisting exclusively of fixed remuneration, accompanied by a pension plan, to later incorporate an element of short-term variable compensation. Over time, a long-term variable remuneration plan has also been introduced in response to the demand by shareholders, institutional investors and proxy advisors. With each addition of these variable components, the remuneration mix of the executive directors has changed, seeking an appropriate balance between the fixed and variable components, so that the remuneration is related to the performance of the executive directors and is in line with the objectives, values and interests of the company.

The Company seeks to give increasing weight to variable components as opposed to fixed components, thus seeking to align itself with the group of mid-cap listed companies that are comparable to CAF in terms of revenue and size.

3.2.4 Conditions of the contracts signed in accordance with Article 249 of the Capital Companies Act.

In accordance with the provisions of Article 529 novodecies, Section 3 (g) of the Capital Companies Act, the basic conditions of the contracts entered into or to be entered into with board members who perform executive duties pursuant to the provisions of Article 249 of the Capital Companies Act or in virtue of any other regulation are indicated below:

- (a) The contract shall be for an indefinite period and may provide for the need to give notice in the event of termination.

Notwithstanding the foregoing, signed contracts do not include a notice period.

- (b) In the event of termination of the position by decision of the Company for reasons not attributable to the Chief Executive Officer, by voluntary decision of the board members due to a serious and culpable breach by the Company of the obligations assumed in the contract or in the event of a substantial reduction or modification of the duties, powers, or conditions of their performance for reasons not attributable to the Chief Executive Officer, the latter shall be entitled to receive compensation equivalent to two years of their fixed remuneration.
- (c) The contract may foresee the assuming of post-contractual exclusivity and non-compete obligations for an additional period of up to two years after leaving the position. At present, the contract signed with the Chief Executive Officer contains such obligations for a term of up to two years after leaving office, but there is no additional compensation for the assumption of these obligations.

3.2.5 Remuneration applicable to new executive board members

In the event that a new executive director is appointed during the term of this policy, the new executive board member shall have conditions equivalent to those that currently apply to the other executive board members and under no circumstances may they be superior to those of the other executive directors.

4. PRINCIPLE OF FULL TRANSPARENCY

The Company's Board of Directors has drawn up this board members remuneration policy in compliance with its commitment to apply the principle of full transparency for all remuneration items paid to directors and to provide sufficient and fair information, issued sufficiently in advance and in line with the good governance recommendations for listed companies.

The Board of Directors also draws up an annual report on directors' remuneration, which is reported as Other Relevant Information immediately after approval and is made available to shareholders when the Annual General Meeting is convened. This annual report is subject to a consultative vote at the General Shareholders' Meeting as a separate item on the agenda.

5. PERIOD OF VALIDITY

This remuneration policy shall be applicable from the date of its approval by the Shareholders in a General Meeting and for the following three fiscal years, i.e. for the rest of the 2024 fiscal year and the 2025 and 2026 fiscal years, in accordance with Article 529 novodecies, Section 1 of the Capital Companies Act, except for any modification, adaptation, or update approved by the Company's Shareholders in a General Meeting at any given time.

If approved, this remuneration policy will replace and render ineffective, as of the date of its approval, the Company's Board Member Remuneration Policy, which was approved by the Shareholders in their General Meeting on June 11, 2022, under Item Six of the agenda.