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## **BOARD REPORT REGARDING THE PROPOSED AMENDMENT OF ARTICLE 39 OF THE COMPANY'S BYLAWS, INCLUDED UNDER ITEM 7 OF THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING.**

### **I. PURPOSE OF THE REPORT**

This Report has been prepared by the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("CAF" or the "Company"), in accordance with the provisions of Article 286 and other relevant provisions of the Capital Companies Act. Its purpose is to justify the proposal to amend Article 39 of the Company's Bylaws, which is submitted to the decision of the Shareholders in their Ordinary General Meeting, called for June 15 and 16, 2024, in its first and second call, respectively, under Item Seven of the agenda.

### **II. JUSTIFICATION OF THE PROPOSAL**

Following a favorable report by the Appointment and Remuneration Committee, the Board of Directors has agreed to submit a new remuneration policy for the Company's board members for the approval of the Shareholders in their Ordinary General Meeting, scheduled for next June, under Item Eight of the agenda, in order to update the content of said policy, taking into consideration the highest standards of corporate governance and best market practices. Both the new policy proposal and the Committee's report are made available to shareholders when the General Meeting is called.

The main new developments in the proposed new policy include the possibility of remunerating executive directors by means of shares, stock options, or remuneration linked to the value thereof.

Based on the foregoing and pursuant to the provisions of Article 219 of the Capital Companies Act, the Board proposes the amendment of the Company's Bylaws in order to update the content of Article 39, relating to the Remuneration of the Board of Directors, to expressly contemplate the possibility of remunerating executive directors through shares, stock options, or remuneration indexed to the value thereof, in the terms set forth in this report.

### **III. CHARACTERISTICS OF THE AGREEMENT**

The Board of Directors proposes the amendment of Article 39, entitled "Remuneration of the Board of Directors", to update its content regarding the remuneration of the Board of Directors as follows:

<b>Previous wording</b>	<b>Proposed new wording</b>
<b>Article 39 - Remuneration of the Board of Directors</b>	<b>Article 39 - Remuneration of the Board of Directors</b>
1. The remuneration for the duties to be discharged by the members of the Board of Directors in their capacity as such, as members of the collegiate body or its committees, must comply with the approved remuneration policy	1. The remuneration for the duties to be discharged by the members of the Board of Directors in their capacity as such, as members of the collegiate body or its committees, shall comply with the approved

and shall comprise one or more of the following amounts:

- a) a fixed allowance for sitting on the Board of Directors
- b) a fixed allowance for sitting on a committee
- c) per diem for attendance of meetings of the Board of Directors or their committee
- d) a fixed allowance for the performance of certain duties or responsibilities
- e) a benefit consisting of a life insurance policy
- f) the savings or pension systems that, where appropriate, are considered relevant.

The director remuneration policy shall set the remuneration of directors in their capacity as such and include at least the maximum amount of the annual remuneration to be paid to all directors in that capacity, as well as those other fees as may be required by the applicable regulations.

The individual setting of the remuneration of each director in their capacity as such for the aforementioned amounts shall fall to the Board of Directors, in accordance with the terms envisaged in Article 529p of the Capital Companies Act.

2. Those directors who, in accordance with the provisions of Article 529k, Section 1 of the Capital Companies Act, have the status of executive directors, may receive, in addition to the amounts provided for in Section 1 above, remuneration for the discharge of their executive duties, consisting in one or more of the following amounts:

- a) a fixed annual remuneration
- b) variable remuneration according to indicators or parameters related to their performance and that of the Company or its group
- c) a benefit consisting of a life insurance policy
- d) a long-term savings system
- e) severance payments, provided that the termination was not due to a failure to comply with their duties as a director
- f) compensation for the assuming of post-contractual non-compete and exclusivity obligations.

remuneration policy and comprise one or more of the following amounts:

- a) a fixed allowance for sitting on the Board of Directors
- b) a fixed allowance for sitting on a committee
- c) per diem for attendance of meetings of the Board of Directors or their committee
- d) a fixed allowance for the performance of certain duties or responsibilities
- e) a benefit consisting of a life insurance policy
- f) the savings or pension systems that, where appropriate, are considered relevant.

The director remuneration policy shall set the remuneration of directors in their capacity as such and include at least the maximum amount of the annual remuneration to be paid to all directors in that capacity, as well as those other fees as may be required by the applicable regulations.

The individual setting of the remuneration of each director in their capacity as such for the aforementioned amounts shall fall to the Board of Directors, in accordance with the terms envisaged in Article 529p of the Capital Companies Act.

2. Those directors who, in accordance with the provisions of Article 529k, Section 1 of the Capital Companies Act, have the status of executive directors, may receive, in addition to the amounts provided for in Section 1 above, remuneration for the discharge of their executive duties, consisting in one or more of the following amounts:

- a) a fixed annual remuneration
- b) variable remuneration with indicators or parameters linked to their performance and that of the Company or its group; [which may include the allocation of shares or stock options or remuneration indexed to the value of the shares, whether of the Company or of companies in its group, subject to the requirements established in the legislation in force at any given time](#)
- c) a benefit consisting of a life insurance policy
- d) a long-term savings system

In any case, the remuneration for the positions of managing directors and other directors to whom executive duties are assigned under other titles shall be governed by the provisions of Articles 249 and 529q of the Capital Companies Act and must comply with the director remuneration policy, which shall at least determine the amount of the fixed annual remuneration corresponding to the directors for the discharge of executive duties, as well as any other amounts as stipulated in the applicable regulations.

The individual setting of the remuneration of each director for the discharge of executive duties shall fall to the Board of Directors, in accordance with the terms set out in Article 529q of the Capital Companies Act.

3. All members of the Board of Directors shall be entitled to be compensated for any duly justified travel and accommodation expenses they may incur as a result of the exercise of their position as directors.

4. All of the foregoing is to be understood without prejudice to the payment of fees or salaries that may be credited to the Company, by virtue of the provision of professional services or an employment relationship, as the case may be, stemming from a contractual relationship other than that arising from the position of director. This provision of services and the corresponding fees shall be subject to the legal system that may be applicable thereto.

e) severance payments, provided that the termination was not due to a failure to comply with their duties as a director

(f) compensation for the assuming of post-contractual non-compete and exclusivity obligations.

Remuneration consisting of the allocation of shares or stock options or that is indexed to the value of the shares shall require a resolution by the Shareholders at a General Meeting. This agreement should include the maximum number of shares that may be allocated each year to this remuneration system, the exercise price or the system for calculating the exercise price of stock options, the value of the shares to be taken as a reference, if any, and the term of the plan.

In all circumstances, the remuneration for the positions of managing directors and other directors to whom executive duties are assigned under other titles shall be governed by the provisions of Articles 249 and 529q of the Capital Companies Act and must comply with the director remuneration policy, which shall at least determine the amount of the fixed annual remuneration corresponding to the directors for the discharge of executive duties, as well as any other amounts as stipulated in the applicable regulations.

The individual setting of the remuneration of each director for the discharge of executive duties shall fall to the Board of Directors, in accordance with the terms set out in Article 529q of the Capital Companies Act.

3. All members of the Board of Directors shall be entitled to be compensated for any duly justified travel and accommodation expenses they may incur as a result of the exercise of their position as directors.

4. All of the foregoing is to be understood without prejudice to the payment of fees or salaries that may be credited to the Company, by virtue of the provision of professional services or an employment relationship, as the case may be, stemming from a contractual relationship other than that arising from the position of director. This provision of services and the corresponding fees shall be subject to the legal system that may be applicable thereto.

#### **IV. PROPOSED RESOLUTION**

In view of the foregoing, the Board considers the following proposed resolution to be justified and submits it to the Annual General Meeting for decision under **Item Seven** of the agenda:

##### ***Seven: Amendment of the Bylaws***

*To amend Article 39 of the Bylaws to update its content regarding the Remuneration of the Board of Directors, such that the aforementioned article shall henceforth read as follows:*

*“Art. 39. Remuneration of the Board of Directors*

*1. The remuneration for the duties to be discharged by the members of the Board of Directors in their capacity as such, as members of the collegiate body or its committees, shall comply with the approved remuneration policy and comprise one or more of the following amounts:*

- a) a fixed allowance for sitting on the Board of Directors*
- b) a fixed allowance for sitting on a committee*
- c) per diem for attendance of meetings of the Board of Directors or their committee*
- d) a fixed allowance for the performance of certain duties or responsibilities*
- e) a benefit consisting of a life insurance policy*
- f) the savings or pension systems that, where appropriate, are considered relevant.*

*The board member remuneration policy shall set the remuneration of directors in their capacity as such and include at least the maximum amount of the annual remuneration to be paid to all board members in that capacity, as well as those other fees as may be required by the applicable regulations.*

*The individual setting of the remuneration of each director in their capacity as such for the aforementioned amounts shall fall to the Board of Directors, in accordance with the terms envisaged in Article 529p of the Capital Companies Act.*

*2. Those board members who, in accordance with the provisions of Article 529k, Section 1 of the Capital Companies Act, have the status of executive directors, may receive, in addition to the amounts provided for in Section 1 above, remuneration for the discharge of their executive duties, consisting in one or more of the following amounts:*

- a) a fixed annual remuneration*
- b) variable remuneration with indicators or parameters linked to their performance and that of the Company or its group; which may include the allocation of shares or stock options or remuneration indexed to the value of the shares, whether of the Company or of companies in its group, subject to the requirements established in the legislation in force at any given time*
- c) a benefit consisting of a life insurance policy*
- d) a long-term savings system*
- e) severance payments, provided that the termination was not due to a failure to comply with their duties as a director*
- f) compensation for the assuming of post-contractual non-compete and exclusivity obligations.*

*Remuneration consisting of the allocation of shares or stock options or that is indexed to the value of the shares shall require a resolution by the Shareholders at a General Meeting. This agreement should include the maximum number of shares that may be allocated each year to this remuneration system, the exercise price or the system for calculating the exercise price of stock options, the value of the shares to be taken as a reference, if any, and the term of the plan.*

*In all circumstances, the remuneration for the positions of managing directors and other board members to whom executive duties are assigned under other titles shall be governed by the provisions of Articles 249 and 529q of the Capital Companies Act and must comply with the board member remuneration policy, which shall at least determine the amount of the fixed annual remuneration corresponding to the board member for the discharge of executive duties, as well as any other amounts as stipulated in the applicable regulations.*

*The individual setting of the remuneration of each board member for the discharge of executive duties shall fall to the Board of Directors, in accordance with the terms set out in Article 529q of the Capital Companies Act.*

3. *All members of the Board of Directors shall be entitled to be compensated for any duly justified travel and accommodation expenses they may incur as a result of the exercise of their position as directors.*

4. *All of the foregoing is to be understood without prejudice to the payment of fees or salaries that may be credited to the Company, by virtue of the provision of professional services or an employment relationship, as the case may be, stemming from a contractual relationship other than that arising from the position of board member. This provision of services and the corresponding fees shall be subject to the legal regime that might be applicable to them.”*

In San Sebastian, on May 9, 2024.