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## **REPORT ON THE OPERATIONS OF THE APPOINTMENTS AND REMUNERATION COMMITTEE OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF) FOR THE 2022 FINANCIAL YEAR**

### **1. Purpose of the report**

The purpose of this report is to disclose the functions and activities performed by the Appointments and Remuneration Committee (hereinafter the “**ARC**” or the “**Committee**”) of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter “**CAF**” or the “**Company**”) during the financial year that ended on December 31, 2022, for which purpose it will be made available to shareholders and other stakeholders through the corporate website, pursuant to the terms set forth in Recommendation 6 of the CNMV’s Code of Good Governance for Listed Companies (hereinafter the “**Code of Good Governance**” or “**CGG**”).

In preparing this report, the principles and criteria set out in the CNMV's Technical Guide 1/2019 on Appointments and Remuneration Committees, published on February 27, 2019, (hereinafter “the **Technical Guide**”) have been taken into account, in particular with regard to the minimum structure and content required in Section 11 for this type of document.

### **2. Regulation of the ARC.**

The legal framework of the ARC is contained in the Bylaws, in the Regulations of the Board of Directors and in its specific Regulations.

Specifically, Article 37 ter of the Bylaws refers to the composition and functions of the Committee. Article 12 of the Board Regulations establishes certain rules on the composition and operation of the Board. Finally, the Committee's Regulations regulate fundamental aspects of this body in greater detail, such as its powers, rules of operation and relations with other bodies of the Company in Chapters II, V and VI.

### **3. Composition of the ARC during the financial year**

In accordance with the provisions of **Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of its own Regulations**, the Committee is made up of three non-executive Directors, two of whom are independent. The Chairman of the Committee has been appointed from among the independent Directors who are members of the Committee.

The members of the ARC are appointed by the Board of Directors, and they are expected to be removed by resignation, by resolution of the Board, by ceasing to be members of the Board, or by not complying with the requirements of the Regulations or legal provisions.

In determining the composition, both quantitative and qualitative, of this body, the Board of Directors has taken into account the rules contained in article 529 quincecies of the Revised Text of the Capital Companies Act (hereinafter “**LSC**”), Recommendation 47 of the Code of Good Governance and the guidelines of the

Technical Guide, adapting them to the circumstances and complexity of the organization, with the aim of favoring diversity in its structure, its independence and its resolution effectiveness.

The members of the Committee have been appointed taking into account the knowledge, skills, and experience necessary for the performance of the functions entrusted to them and, in particular, in areas such as corporate governance, human resources, business and relations experience, selection of managers, senior management functions, and the design of remuneration policies and plans.

The composition of the Committee is diverse in terms of professional experience, personal skills and sectoral expertise.

On June 11, 2022, the Board of Directors unanimously agreed to appoint Mr. Ignacio Camarero García as a new member of the Committee and to designate Mr. Julián Gracia Palacín as Chairman of the Committee, so that, as of the date of this report, the composition of the ARC is as shown in the following table:

<i>Director</i>	<i>Position</i>	<i>Category</i>	<i>Seniority</i>
Mr. Julián Gracia Palacín	Chairman	Independent	Appointed Director on June 10, 2017 and has been a member of the Committee since May 6, 2020 and its Chairman since June 11, 2022.
Mr. Luis Miguel Arconada Echarri	Member	Other External	Appointed Director on January 29, 1992 and has been a member of the Committee since February 25, 2015.
Mr. Ignacio Camarero García	Member	Independent	Appointed Director on June 15, 2019 and has been a member of the Committee since June 11, 2022.

The following is a brief summary of the professional profiles of the current members of the Committee:

- Mr. Julián Gracia Palacín (Member) is an Industrial Engineer and holds a Master's degree in Business Administration and Management. He has spent his professional career working in the telecommunications, logistics and consulting sectors, holding management positions at several companies.
- Mr. Luis Arconada Echarri (Member) has extensive experience and knowledge in the business and corporate sector, as well as in-depth knowledge of the Company. He has enjoyed prestige in different areas of social and economic life since his successful period in the world of sport.
- Mr. Ignacio Camarero García has a degree in the Physical Sciences. He has worked in the Telecommunications and Information Technology sectors, holding

management positions at various companies. He is also a member of CAF's Audit Committee.

In the “Shareholders and Investors” section of CAF's corporate website, up-to-date information regarding the composition of the Appointments and Remuneration Committee ([https://www.caf.net/pdf/Informacioon-Publica-Consejeros-agosto-2022-\(ESP\).pdf](https://www.caf.net/pdf/Informacioon-Publica-Consejeros-agosto-2022-(ESP).pdf)) can be found, along with the public information about each of its members.

#### **4. Functions and tasks performed throughout the financial year by the ARC Committee, changes thereto and reference to the regulations governing it**

**Article 37 ter of the Bylaws and Article 3 of the ARC Regulations** attribute the following minimum functions to it, without any of them having been modified during the reported financial year:

In the area of appointment and remuneration:

- 1.- To assess the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions and capabilities required of the candidates for a particular vacancy, updating it periodically, and will evaluate the time and commitment required for them to effectively carry out their duties.
- 2.- To establish a target representation for the least represented gender on the Company's Board of Directors and produce guidelines on how to reach this target.
- 3.- To submit proposals to the Board of Directors on the appointment of Independent Advisers to the Company through co-optation or for the consideration of the shareholders in a General Shareholders' Meeting, together with proposals for the re-election or dismissal of said Directors by the shareholders in a General Meeting.
- 4.- To report on proposals for the appointment of the other Directors through co-optation or for the consideration of the General Shareholders' Meeting, together with the proposals for their re-election or dismissal by the shareholders in a General Meeting.
- 5.- To report on the proposal for the appointment of the Chairperson of the Board of Directors, in addition to the Deputy Chairpersons, if applicable.
- 6.- To inform the Board of Directors of the appointment and removal of the Secretary.
- 7.- To submit to the Board of Directors the proposal for the appointment of an Independent Coordinating Director.
- 8.- To report regarding proposals for the appointment or dismissal of senior management and the basic terms of their contracts.
- 9.- To examine and organize the succession of the Chairperson of the Board of Directors and that of the Company's chief executive and, where applicable, to make proposals to the Board of Directors to ensure that said succession is planned and orderly by developing and periodically reviewing a succession plan to that effect.

- 10.- To issue a report prior to the issuance of a warning to a Director on the part of the Board of Directors as a result of an infraction of their obligations in this capacity.
- 11.- To inform the Board of Directors of the measures to be adopted when Directors find themselves in situations that affect them, whether or not these are related to their actions in the Company itself, that could damage the credit and reputation of the Company and, in particular, before any criminal case in which they appear as being under investigation.
- 12.- To report in advance regarding proposals for the dismissal of independent advisers by the Board of Directors before the end of the statutory period, so that the latter can assess if there is just cause.
- 13.- To make proposals to the Board of Directors regarding the remuneration policy for Directors, issuing the corresponding report, and for general managers or those performing their senior management duties reporting directly to the Board of Directors, Executive Committees, or Managing Directors, in addition to the individual remuneration and other contractual terms of the Executive Directors, ensuring compliance therewith.
- 14.- To periodically review the remuneration policy applied to directors and senior managers, including the share-based remuneration systems and their application, and ensure that their individual remuneration is proportionate to that paid to the other Directors and senior managers of the Company.
- 15.- To propose to the Board of Directors, issuing the corresponding report, the individual establishing of the remuneration of each Director in their capacity as such within the statutory framework and the remuneration policy, in accordance with the functions and responsibilities attributed to each of them.
- 16.- To propose to the Board of Directors, issuing the corresponding report, the individual determination of the remuneration of each Director for the performance of the executive functions attributed to them within the framework of the remuneration policy and in accordance with the provisions of their contract.
- 17.- To ensure that any possible conflicts of interest do not compromise the independence of the external advice given to the Committee.
- 18.- To verify the information related to the remuneration of Directors and senior management contained in the various corporate documents, including the annual report on the remuneration of the Directors.

In relation to the System of Corporate Governance and Sustainability:

- 19.- To supervise compliance with the Company's corporate governance rules, ensuring that the corporate culture is aligned with its purpose and values.
- 20.- To verify compliance with the Diversity and Board Member Selection Policy on an annual basis, reporting on this in the annual corporate governance report.
- 21.- To periodically assess and review the Company's corporate governance system and Sustainability Policy, so that they adequately fulfill their mission of promoting the company's interests and take into account, as applicable, the legitimate interests of the other stakeholders.

- 22.- To oversee that the Company's environmental and social practices are in line with its strategy and policy; and
- 23.- To supervise and assess the relationship processes with the various stakeholders.  
In relation to other subjects:
- 24.- To propose the modification of the Regulations for the Board of Directors to said Board, whenever the Committee should deem this to be necessary, including the corresponding reasoning.
- 25.- To present an annual evaluation report to the Board of Directors regarding its own performance and an annual evaluation report on the operations and activities of the Committee during the previous financial year, and an annual assessment report of the performance of the Board of Directors.
- 26.- To issue a report on the functioning and activities of the Committee during the previous financial year.
- 27.- To check that the information on the experience and professional career and regarding the remuneration of the Board Members that the Company publishes on its website is sufficient and adequate and follows the recommendations of the Code of Good Governance for Listed Companies published by the Spanish Securities Market Commission.
- 28.- To approve an annual work plan that takes into account the annual schedule for Committee meetings, among other matters, with the goal of facilitating efficient compliance with the goals sought.
- 29.- Any other duty attributed thereto by Law, the company's Bylaws, the Regulations of the Board of Directors or the Board of Directors itself.

In order to better carry out the functions and powers entrusted to it, the Committee may require any type of information or documentation it considers necessary, as well as request the Board to hire external advisory services on technical or especially relevant matters. Additionally, the Committee may request the personal collaboration or a report from any member of the Company's management and/or that of other companies of its group, other directors, executive or otherwise, employees, or experts, whenever it should deem this necessary or convenient to fulfill its functions; likewise, upon the invitation of the Chairperson of the Committee, it may request the presence of any of these people at its meetings, although only to address the specific points on the agenda for which they are invited. Their presence should not become common practice, so they should only attend when necessary. (**Article 15 of the ARC Regulations**).

##### **5. Meetings held during the financial year, number and nature of attendees**

During the 2022 financial year, the Audit Committee met 8 times. In addition to the regular meetings provided for in the Plan of Activities approved for the year, it was deemed necessary to hold three additional meetings to address other matters within its competence. All the meetings were held in person, with the attendance of all the members, all of them having the necessary documentation and sufficient time in advance to be able to address the items included on the agenda.

<i>Meeting no.</i>	<i>Date of the meeting</i>	<i>Number of Committee member attendees</i>	<i>Other attendees</i>
1	1/26/2022	3	--
2	2/25/2022	3	--
3	5/06/2022	3	--
4	7/14/2022	3	--
5	9/22/2022	3	--
6	11/09/2022	3	--
7	12/19/2022	3	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors</li> <li>• Head of Human Resources</li> </ul>
8	12/20/2022	3	<ul style="list-style-type: none"> <li>• Chairman of the Board of Directors</li> <li>• Managing Director</li> </ul>

The Committee meetings cover matters within its competence, facilitating the free participation of all members in the deliberations.

The Secretary of the Committee drafts minutes of the content of the meetings, accurately reflecting the discussions and resolutions adopted.

Everything discussed and agreed at each meeting has been reported on in due course at the following meetings of the Board of Directors.

Annex I to this document details the schedule of meetings held and the matters addressed by the Committee in the 2022 financial year.

## **6. The most significant activities carried out this financial year**

During the financial year under review, the Committee adequately performed the functions set forth in the Bylaws (Art. 37 ter) and in its own Regulations (Art. 3).

### **a. Appointment activities**

- Presentation to the Board, to be submitted to the General Meeting: (i) of the report prepared by the Committee for the purposes of Article 529 decies, paragraph 6, and Article 15 of the Board Regulations, for the re-election of three Directors with the category of “Other External” as well as (ii) of the proposal to set the number of Board members at eleven.

Said document was made available to shareholders on the corporate website as soon as the General Shareholders Meeting was called.

- Review of the Board of Directors skills matrix.
- Launch of the selection process for a female Director, with the category of independent, in order to submit to the Board the corresponding proposal for appointment through co-optation.

The purpose of this process, which is currently underway, is to fill the vacancy created on the Board following the re-election of Mr. Arizkorreta, Mr. Arconada and Mr. Arrieta as Directors with the category of “Other External” by the General Shareholders' Meeting of June 11, 2022, and the setting by the latter of the number of Board Members at eleven.

**b. Remuneration activities**

- Proposal to the Board of Directors of the Report on the Remuneration of Directors for the 2021 financial year.
- Verification of compliance with the economic-financial and non-financial parameters predetermined for the accrual of the variable remuneration corresponding to the 2021 financial year.
- Proposal to the Board of Directors regarding the remuneration of the members of the Executive Committee for the 2022 financial year.
- Submitting to the Board of Directors the proposal for approval of the new Long-Term Savings System applicable to the Executive Committee and Executive Officers and its Regulations. Subsequent proposal for partial modification of said Regulations.
- Presentation to the Board of Directors of the proposal to amend the Directors' Remuneration Policy, to be applied from the date of its approval by the General Shareholders' Meeting until 2025. This proposal was accompanied by the mandatory specific report verifying the content of the new Policy in accordance with the applicable regulations, as well as its alignment with good practices, criteria of prudence in the assumption of risk, and the interests of the shareholders.

Both documents were made available to shareholders on the Company's website as soon as the General Shareholders Meeting was called and were finally approved by it on June 11, 2022.

- Proposed allocations to the Long-Term Savings System for the 2022 financial year.
- Proposals for remuneration of Directors and positions in the Board.

**c. Activities in the area of Corporate Governance and Sustainability**

- Review of the Corporate Social Responsibility Report for the 2021 financial year, for approval by the Board of Directors.
- Review of the Reports on the “Declaration on Combating ‘Modern Slavery’ for the 2021 financial year, prior to their approval by the Board of Directors and signature by the Managing Director.
- Oversight and evaluation of the Corporate Governance System and the Sustainability Policy and Practices in the 2022 financial year, preparing the corresponding report confirming that these fulfill their mission of promoting the social interest and satisfying the legitimate interests of the remaining stakeholders, in accordance with the established strategy. Likewise, the Committee has verified

effective compliance with corporate governance rules and has overseen the Company's practices in environmental and social matters to verify that they are in line with the strategy and policy established.

- Verification of compliance of the Diversity and Director Selection Policy during the 2022 financial year.

**d. Other actions**

- Approval of the Operations Report of the Appointments and Remuneration Committee for the 2021 financial year. This report was made available to the shareholders at the last Ordinary General Shareholders' Meeting.
- Oversight of the renewal process of the Directors and Officers insurance policy.
- Preparation of the Report on the Annual Evaluation of its performance in 2022, as well as the Evaluation Report of the Board of Directors and its Committees, in accordance with the provisions of Recommendation 36 of the Code of Good Governance for Listed Companies, with the scope detailed in Section 7 below.
- Approval of the Plan of Activities of the Committee for 2023.
- Follow-up on topics of interest with CAF's Human Resources Director.
- Report of the Human Resources Director on Talent Management in the CAF Group.

**e. Activities in relation to the monitoring of the Committee's own action plans.**

Throughout the reported financial year, the Committee has continuously monitored the action plans for 2022, proposed in the Report on the annual evaluation of its own performance, approved by the Committee during its meeting on December 16, 2021, noting that they have been carried out satisfactorily.

**7. Scope of the evaluation of the operations and performance of the Board and the ARC itself, including the areas evaluated, the evaluation methods used, and the extent to which the evaluation has led to relevant changes in the organization.**

At its meeting on December 19, 2022, the Committee approved the Report on the annual evaluation of its own performance in 2022, as well as the Report on the Annual Evaluation of the Board of Directors and its Committees in the same year, in compliance with Recommendation 36 of the Code of Good Governance. Both reports were submitted to the Board of Directors.

The evaluation process carried out by the Committee included, among others, the following aspects: i) quality and efficiency in the performance of the Board of Directors and its Committees, including the degree of effective use of the contributions of its members; ii) size, composition and diversity of such bodies; iii) performance of the Chairperson of the Board and Chief Executive Officer of the Company; iv) frequency and duration of the meetings; v) content of the agenda and adequacy of the time allocated to addressing the different issues; vi) quality of the information received; vii) openness of the debates; and viii) whether the decision-making process is dominated or strongly influenced by one member or a small group of members.

To carry out this process, the Committee took into consideration, among other indicators, the degree of compliance with regulatory requirements and guidelines in the area of corporate governance, as well as the level of achievement of the plans and objectives set for the 2022 financial year.



The result of the evaluations carried out was positive, and specific action plans for the 2023 financial year were proposed to the Board of Directors.

The results of the evaluation have not led to significant changes in the internal organization or procedures of these bodies.

#### **8. Information on which, if any, practical guidelines on appointments and remuneration committees are being followed and to what extent**

Since the publication of the CNMV's Technical Guide 1/2019 on February 27, 2019 on Appointments and Remuneration Committees, the ARC has followed these guidelines as a roadmap in the performance of its functions.

#### **9. Significant deviations with respect to the procedures adopted or irregularities in matters within the Committee's competence which have been reported in writing to the Board**

No significant deviations with respect to the procedures adopted or irregularities in matters within this Committee's competence have been reported to the Board.

#### **10. Conclusions**

As a result of the above, the Appointments and Remuneration Committee considers that its organization and operation in the 2022 financial year are in line with the provisions contained in the law, the Bylaws, the Board Regulations and its own Regulations.

In particular, all the recommendations of the Code of Good Governance concerning the committees in this category, to which CAF attaches particular importance, have been complied with. Special attention has also been paid to the principles and guidelines contained in the Technical Guide on Appointments and Remuneration Committees.

The Committee understands that, through the work carried out throughout this year, it has faithfully fulfilled the functions entrusted to it. Notwithstanding this positive assessment, the Committee reaffirms its willingness to continue improving the efficiency of its operation and compliance with its goals, in line with best practices in the area of Corporate Governance.

This report was issued by the Appointments and Remuneration Committee on January 24, 2023.

#### **Approval by the Board of Directors and Dissemination:**

This report was approved by CAF's Board of Directors during its meeting on January 25, 2023.

In accordance with Recommendation 6 of the CNMV's Code of Good Governance for Listed Companies, this document will be published on the Company's website (www.caf.net) sufficiently in advance of the Ordinary General Meeting.

**ANNEX I**  
**Calendar of meetings in 2022**

<b>Date</b>	<b>Issues addressed</b>
1/26/2022	<ul style="list-style-type: none"> <li>○ Continued analysis of the new long-term savings system.</li> <li>○ Approval of the Report on the Operation of the Committee for the 2021 financial year.</li> <li>○ Miscellaneous.</li> </ul>
2/25/2022	<ul style="list-style-type: none"> <li>○ Review of the Annual Report on Directors' Remuneration for the 2021 financial year.</li> <li>○ Review of the Sustainability Report and the Declaration on Combating “Modern Slavery” for the 2021 financial year.</li> <li>○ Remuneration proposal for the Directors and Senior Management, applicable to the 2022 financial year.</li> <li>○ Miscellaneous.</li> </ul>
5/06/2022	<ul style="list-style-type: none"> <li>○ Report on re-election and fixing the number of Directors.</li> <li>○ Proposed modification of the Directors' Remuneration Policy and the corresponding justification report.</li> <li>○ Miscellaneous.</li> </ul>
7/14/2022	<ul style="list-style-type: none"> <li>○ Analysis of the vacancy on the Board.</li> <li>○ Miscellaneous.</li> </ul>

9/22/2022	<ul style="list-style-type: none"> <li>○ Follow-up on pending issues and planning for the financial year.</li> <li>○ Review of the Board of Directors skills matrix.</li> <li>○ Miscellaneous.</li> </ul>
11/09/2022	<ul style="list-style-type: none"> <li>○ Proposed allocations to the Long-Term Savings System.</li> <li>○ Proposals for remuneration of Directors and positions in the Board.</li> <li>○ Miscellaneous.</li> </ul>
12/19/2022	<ul style="list-style-type: none"> <li>○ Report from the Director of Human Resources.</li> <li>○ Follow-up on pending issues.</li> <li>○ Proposed amendment to the CAF Retirement Plan Regulations.</li> <li>○ Verification of compliance with the Diversity and Board Member Selection Policy.</li> <li>○ Report for the Supervision of the Corporate Governance System and Sustainability.</li> <li>○ Evaluation of the performance of the Committee and the Board.</li> <li>○ Approval of the Plan of Activities for 2023.</li> <li>○ Miscellaneous.</li> </ul>
12/20/2022	<ul style="list-style-type: none"> <li>○ Follow-up on pending issues.</li> <li>○ Modification of the CAF Retirement Plan Regulations.</li> <li>○ Miscellaneous</li> </ul>