



# ARTICLES OF ASSOCIATION OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF)

TRANSPORT SYSTEMS  
TRAINS  
BUSES  
SIGNALLING  
COMPONENTS  
SERVICES

**Your Way**  
to Future Mobility

*The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's website. In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

**INDEX**

CHAPTER I. NAME, OBJECT, REGISTERED DOMICILE AND DURATION OF THE COMPANY .. 3

CHAPTER II. SHARE CAPITAL AND SHARES ..... 4

CHAPTER III. THE COMPANY'S BODIES ..... 6

CHAPTER IV. GENERAL SHAREHOLDERS' MEETINGS ..... 6

CHAPTER V. THE BOARD OF DIRECTORS ..... 13

CHAPTER VI. THE ANNUAL ACCOUNTS ..... 22

CHAPTER VII. DISSOLUTION AND WINDING UP ..... 23

CHAPTER VIII. ACCEPTANCE OF THE ARTICLES OF ASSOCIATION, DISPUTES AND JURISDICTION..... 23



## **CHAPTER I. NAME, OBJECT, REGISTERED DOMICILE AND DURATION OF THE COMPANY**

### **Article 1. Company Name**

Construcciones y Auxiliar de Ferrocarriles, S.A., "CAF" in its abbreviated form, is a company governed by these Articles of Association and by the law.

### **Article 2. Corporate Purpose**

The purpose of the Company is as follows:

1° The manufacture, repair, purchase, sale, leasing, maintenance and operation in any form, and the import and export of:

1.1 Of all types of items, equipment and materials, whether fixed or movable, and assets used for transport activities of any kind.

1.2 All kinds of products, goods and items for use in the metallurgical, iron and steel, plastics, sheet metal work and carpentry industries.

1.3 All kinds of industrial machinery, machine tools, machinery for public works and agricultural machinery.

1.4 All kinds of products, goods and items related to electrical, IT electronics and defence industries and activities.

1.5 All kinds of items, goods and materials that are auxiliary to, supplementary to or derived from all activities included in the sections above.

2° Conducting all kinds of real estate property activities. The purchase and sale of property, as well as leasing or transferring property in any manner. The development and sale of all kinds of works and buildings, similarly on the Company's behalf or for third parties.

3° The rendering of services of all kinds and, in particular, research, consulting, engineering and technical assistance services related to the activities mentioned in sections 1 and 2 above.

4° Holding shares, under the terms determined by the Board of Directors, in the capital of other companies with similar corporate purpose to that described in the preceding items.

5° The performance of all kinds of industrial, commercial, financial, service, chattel, real estate, agricultural, livestock and forestry activities that are directly or indirectly related to the activities set out in the previous sections.

6° The transport of passengers and freight by railway, with the supply of traction, in the terms established by the Railway Industry Law and the relevant regulations. In addition, the company can render additional, supplementary and auxiliary services directly or through third parties, on board services, maintenance and repair of rolling stock and other services and activities related to railways.

7º Bid in all types of tenders for the concession or award for the construction, preservation and operation of road infrastructures, either for railways, metros or any type of transport, exercise the rights and meet the obligations resulting from these tender awards. The provision of private and public services, access, management and operation of any class of administrative concession, either directly or indirectly.

8º The design, construction and execution, equipping, installation, commissioning, financing and transmission of all types of works and constructions, laying of tracks, cablecars or elevated railways, signalling and interlocks, railway electrification, as well as their maintenance and repairs, in both public or private terms, administrative concession or leasing, executed either directly or via subcontracting with third parties.

9º The execution of any work which is the result of, supplements or is related either directly or indirectly with any of the activities provided for in the previous sections.

The aforementioned activities may be indirectly performed through a holding in other Companies with either the same or a similar corporate purpose.

The company may engage in these activities throughout Spain and abroad.

### **Article 3. Registered Office**

The Company's registered office is at Beasain (Gipuzkoa). The Board of Directors may adopt a resolution on setting up, closing down or moving branches, agencies or local offices.

### **Article 4. Duration of the Company**

The Company shall be incorporated for an unlimited duration, notwithstanding the reasons for winding up established in these Articles of Association and in Law.

The company's financial year shall coincide with the calendar year.

## **CHAPTER II. SHARE CAPITAL AND SHARES**

### **Article 5. Share Capital**

The share capital is TEN MILLION THREE HUNDRED AND EIGHTEEN THOUSAND FIVE HUNDRED AND FIVE EUROS AND SEVENTY-FIVE CENTS (€ 10,318,505.75), represented by THIRTY-FOUR MILLION TWO HUNDRED AND EIGHTY THOUSAND SEVEN HUNDRED AND FIFTY SHARES (34.280.750), each with a face value of 0.301 EUROS, which are fully subscribed and paid up.

The shares shall be represented by book entries and requests may be submitted for their admission to official trading on both Spanish and foreign stock exchanges, in accordance with the legislation in force.

### **Article 6. Share capital regulations**

Shares are represented by book entries, and therefore they shall be governed by the provisions in the regulations governing the stock market and other legal provisions in force.

Modification of the characteristics of the shares represented by book entries must be made public, once a resolution has been formally adopted in accordance with that laid down in Royal Decree 1/2010, of 2nd July, which approves the consolidated text of the Corporate Enterprises Act ("**Corporate Enterprises Act**") and the regulations governing the stock market, in the Official Companies Registry Gazette and in one of the newspapers with the highest circulation in Gipuzkoa.

The Company shall recognise as shareholders those who are shown to be duly authorised in the relevant book entries.

When the shares have not been fully paid up, this fact shall be recorded in the relevant entry.

#### **Article 7. Rights associated with each share**

In addition to representing a proportional part of the share capital, each share grants its legitimate holder the right to a share in the appropriation of the company's earnings and in the net equity resulting from its winding-up process, a pre-emptive subscription right when new shares or debentures convertible into shares are issued, and any other rights determined by law. Each share entitles the holder thereof to one vote.

No non-voting shares shall be issued.

In order to attend the General Shareholders' Meetings it is necessary to prevent legitimate ownership of at least one thousand shares. Shareholders who do not reach this figure may pool their shares together to attend the General Shareholders' Meetings through a single representative.

#### **Article 8. Indivisibility of shares**

Shares are indivisible. The co-owners of a share must designate one person to exercise the shareholder's rights and shall be held jointly and severally liable before the Company for any obligations that arise from the positions as shareholders. The same rule shall be applicable to other cases in which real rights over the shares are jointly held.

#### **Article 9. Usufruct of shares**

In the case of usufruct, the shareholder capacity falls on the core owner. However, the usufruct party shall be the holder of the rights recognised by Law.

#### **Article 10. Pledge and attachment of shares**

In the case of a pledge or attachment of shares, the rights of the shareholder shall be held to the owner of the shares, therefore the pledgee or attached shall be bound to allow such rights to be exercised. If the owner breaches the obligation to pay up the unpaid capital, the pledgee or the attached may comply with that obligation itself or, in the case of a pledge, may immediately enforce it.

## **CHAPTER III. THE COMPANY'S BODIES**

### **Article 11. Company Bodies**

The company bodies are as follows:

1. The General Shareholders ' Meeting.
2. The Board of Directors.

## **CHAPTER IV. GENERAL SHAREHOLDERS' MEETINGS**

### **Article 12. The General Shareholders' Meeting**

The shareholders, forming a validly convened General Shareholders' Meeting, shall adopt resolutions within the competence thereof, by the majorities provided for by Law or by these Articles of Association. All shareholders, including absent shareholders that have not participated in the meeting, will be subject to the acts of the Shareholders' Meeting.

### **Article 13. General competence of the General Shareholders' Meeting. Classes**

The General Shareholders' Meeting shall adopt resolutions on the matters within its competence, pursuant to the law and these Articles of Association, and the General Shareholders' Meeting is specifically responsible for the following duties:

1. Appointment and separation of Directors, receivers, and accounts auditors, as well as exercising corporate liability actions against any of these.
2. Reviewing the company management and, when applicable, approving the accounts for the previous financial year, and deciding on the allotment of the profits or losses.
3. Approval of the non-financial information statement.
4. Increasing or decreasing the share capital, if need be, delegating the right to set the date or dates for carrying it out, in the terms stipulated by law, and such empowered person may make use of such delegation in whole or in part or even refrain from carrying it out bearing in mind the market situation, the Company's circumstances or any fact or event of special importance that, in the opinion thereof, justifies such a decision, reporting this to the first General Shareholders' Meeting held after the term granted for carrying it out has expired. Delegating the right to the Board of Directors to increase the share capital in the terms of Article 297.1.b) of the Capital Company Act.
5. To agree on the issue of bonds convertible into shares or of obligations that provide the debenture holders a right to a share in the company income.
6. Elimination or limitation of the pre-emptive subscription right.

7. Acquisition, transfer or contribution of core assets to another company. The essential nature of the assets shall be presumed when the amount of the transaction is more than 25% of the value of the assets stated in the last approved balance sheet.
8. Transfer core activities carried out until then by the Company to depending bodies, although the company retains full control over them. The essential nature of the activities and operating assets shall be presumed when the volume of the transaction is more than 25% of the total balance sheet assets.
9. Modifying the Articles of Association and the Rules of the General Shareholders' Meeting.
10. Dissolution, merger, spin-off, restructuring, overall assignment of assets and liabilities or transfer of the Company's registered offices abroad.
11. Operations that effectively add up to the Company's liquidation.
12. Approval of the final liquidation balance.
13. The directors' remuneration policy in the terms established by the Corporate Enterprises Act.
14. Deciding on any matter submitted to the Meeting by the Board of Directors for a resolution to be adopted. The latter must call a General Shareholder's Meeting, as soon as possible, to deliberate and decide on the specific resolutions included in this article that are submitted thereto, in the event that relevant facts or circumstances take place that affect the Company, shareholders or company bodies and, in any case, in the event of a takeover bid being made for the Company that the Board of Directors does not deem to be in the Company's interest.
15. Approval of related-party transactions corresponding to the Shareholders in a General Meeting according to the terms set out by law.
16. Any other business established by law or by the Articles of Association.

General Shareholders' Meetings may be annual or extraordinary.

#### **Article 14. The Annual General Shareholders' Meeting**

After being summoned for this purpose, the Annual General Shareholders' Meeting shall be held within the first six months of each financial year to approve, if applicable, the company management, the annual accounts and the management report for the previous financial year and the proposal for the appropriation of earnings, and it may also adopt a resolution on any other items included on the Agenda.

#### **Article 15. The Extraordinary General Shareholders' Meeting**

Any General Shareholders' Meeting other than that defined in the previous article is an Extraordinary General Shareholders' Meeting.

## Article 16. Notice of the General Meeting

The General Shareholders' Meeting shall be called by means of an announcement published in (i) the "Official Journal of the Companies' Registry or one of the daily newspapers with the largest circulation in Gipuzkoa, (ii) on the National Securities Market Commission website, and (iii) on the website of the Company itself, at least one month in advance of the date set for holding the meeting.

The announcement will state the date and time on first call notice and all matters to be discussed in the Meeting. It may also state the date on which, if need be, the General Shareholders' Meeting must be held on second call notice, which shall, as a minimum and there must be a minimum 24 later than the first one.

Shareholders who represent at least three percent of the share capital, may request that a supplement be published to the Announcement of the Annual General Meeting, to add one or more items to the agenda, provided that the new items are backed-up with supporting reasons, or else, with a justified resolution proposal. Under no circumstances shall it be possible to exercise the said right with regard to the calling of extraordinary general meetings. This right must be exercised by means of an irrefutable notice to be received at the corporate seat within five days of the date of publication of the notice. The additional call must be published with at least fifteen days' notice prior to the date set for holding the General Shareholders' Meeting. Failure to publish the addition to the summons within the legally stipulated term shall be grounds to contest the Meeting.

Shareholders representing at least three per cent of the share capital may, within the same timeframe indicated in the paragraph above, submit reasoned motions for resolution on items either already included, or which ought to be included, on the agenda of the meeting called. The Company shall ensure that the rest of the shareholders are informed of such motions for resolution, with the attachment of any appropriate documentation, in accordance with the provisions of Law.

The Annual General Shareholders' Meeting Notice shall expressly mention the right of any shareholder to immediately obtain the documents that will be submitted for approval and the auditor's report from the Company free of charge.

Whenever the General Shareholders' Meeting must adopt a resolution on modifying the Articles of Association, the announcement notice must state, with all due clarity, the points that will be modified and the right of any shareholder to examine the full text of the proposed modification and the report related thereto at the registered office, as well as to request that such documents be delivered or sent to the shareholder.

Likewise, the notice will set out the deadlines, methods and ways to exercise the right to vote and the delegation of the right to vote, as provided for by the directors, to permit the orderly proceeding of the meeting.



#### **Article 17. Universal General Shareholders' Meeting**

Notwithstanding the provisions in the above articles, the General Shareholders' Meeting shall be considered summoned and validly held to deal with any item providing shareholders representing the entire share capital are present and those attending unanimously agree to hold the General Shareholders' Meeting.

#### **Article 18. Right and obligation to summons the General Shareholders' Meeting**

The Board of Directors may summon an Extraordinary General Shareholders' Meeting whenever it deems it to be in the company's interest. The General Shareholders' Meeting shall be called when shareholders holding at least 3% of the share capital so request and state in the request the items to be discussed and concerning which the General Shareholder's Meeting must adopt resolutions. In such case, the General Meeting must be called so that it is held within two months following the date on which the directors receive the notarized request to that effect. The directors shall draw up the agenda, which must necessarily include the items which were the subject of the request.

#### **Article 19. Holding the General Shareholders' Meeting**

Except for that provided for under Article 20 below, the General Shareholders' Meeting shall be validly held at the first notice date when the shareholders attend, present or represented by proxy, holding at least 25% of the subscribed capital with voting rights. The second call notice will be valid with any shareholder representation.

#### **Article 20. Special cases**

In order to adopt resolutions to issue debentures, an increase or decrease in capital, the suppression or limitation of the pre-emptive subscription right of new shares, the conversion, merger or spin-off of the Company or the global assignment of assets and liabilities and the transferral of the address abroad and, in general, any modification to the company's Articles of Association, shareholders must be present or be represented by proxy, at the first summons, holding at least 50% of the subscribed capital with voting rights. On the second notice date, the attendance of 25% percent of that share capital shall suffice.

When shareholders representing 25% or more but less than 50% of the subscribed capital with the right to vote attend the meeting, the resolutions mentioned in this article may only be validly adopted with the favourable vote of two thirds of the capital, present or represented, at the General Meeting.

#### **Article 21. Authorization to attend the General Shareholders' Meeting**

Shareholders who own one thousand or more Company shares may attend the General Meeting, physically or by remote means, and take part in the discussions, with the right to speak and vote. Those who hold a lower number of shares may group together their shares and be represented by another shareholder with whom they jointly hold one thousand or more shares.

To exercise the right to attend the meeting, Shareholders must have recorded their shares under their own names in the relevant registry of book entries five days prior to the date when the General Meeting will be held.

All shareholders with the right to attend, can be represented at the Annual General Meeting through another person, who need not be a shareholder. In order to do so, this shall comply with the requirements established in law.

#### **Article 22. Public Request for Proxy**

Should the Company Directors, equity custodian organisations or any other physical or legal person request representation for themselves or others and, in general, whenever the request is made public- which shall be assumed to be the case if a single person represents more than three shareholders - the document supporting the proxy must contain or include an attachment with the Agenda, as well as the request for instructions for the exercising of the right to vote and the indication of the line of voting for the proxy holder, should no precise instructions be received.

Exceptionally, the proxy holder may vote differently when circumstances arise that were not taken into account when the instructions were given and the interest of the represented party could be harmed. In this case, when the cast vote differs from the instructions, the proxy holder must immediately notify the represented party in writing, explaining the reasons for the vote.

In the case of the Company directors or a third party, on their own behalf or in the interest of either party, having made a public application for representation by proxy, the director holding the proxy may not exercise the right to vote for the shares so represented on those items on the agenda in which there is a conflict of interest, unless specific voting instructions have been received from the represented party for each of these points, pursuant to article 522 of the Law on Capital Companies, and in any case, regarding the following decisions :

- a. Appointment or ratification as administrator.
- b. Dismissal, discharge or resignation of the administrator.
- c. Corporate liability actions being brought against the administrator.
- d. The approval or ratification, when applicable, of transactions by the company with the administrator in question, companies controlled thereby or those represented by the administrator or people who act on behalf the administrator.

The proxy may also apply to any items that may have not been included on the Agenda of the Notice of the Meeting, but which can be lawfully be dealt with at the Meeting, and the provisions in the preceding paragraph shall be equally applicable in this case.

#### **Article 22 bis. Remote participation prior to the holding of the Meeting**

Attendance at the General Meeting and voting on the proposals on the Agenda of any type of General Meeting may be exercised directly or delegated by the shareholder prior to the holding of the Meeting through postal and electronic mail or by any other means of remote communication, under the terms of the current Articles of Association and the General Meeting Rules of Procedure, provided that in all cases the identity of the attendee or voter is duly guaranteed as well as the security of the electronic communications.

The Board of Directors is empowered to adapt the foregoing provisions, establishing the appropriate rules, means and procedures in accordance with the state of the art to implement voting and granting representation by electronic means, including the applicable precedence and conflict rules, while adjusting to the rules established for that purpose, where appropriate.

Shareholders who cast their votes remotely prior to the holding of the Meeting must be considered as attending for the purpose of constituting the meeting.

#### **Art. 22 ter Remote Attendance of General Meetings**

In addition to the physical attendance of the shareholders and their representatives and the exercising of shareholder rights through remote means of communication prior to the holding of the Meeting, the convening notice for the General Meeting may also consider the attendance of the shareholders and their representatives through electronic means, provided the identity of the person attending and the security of the electronic communications are duly guaranteed.

Remote attendance of the shareholders and their representatives shall be governed by the provisions of the Rules of the General Shareholders' Meeting and by the rules set out in the convening notice in relation to procedural aspects put in place for the adequate holding of the Meeting which shall include, among other matters, the identification requirements for the registration and authentication of the attendees, the minimum time in advance for completion of the registration process, and the manner in which and time at which shareholders attending the General Shareholders' Meeting remotely may exercise their rights and, in particular, make interventions or propose agreements. The Board of Directors may determine that any interventions or agreement proposals those due to attend remotely have the intention of making should be sent to the Company prior to the constitution of the Meeting.

#### **Art. 22º quater Exclusively Remote General Meetings**

General Meetings may also be convened to be held exclusively remotely and, therefore, without the physical attendance of the shareholders, their representatives, and, if applicable, the members of the Board of Directors.

The holding of exclusively remote General Meetings shall be in accordance with the legal provisions and those of the articles of association, in addition to the expansion on these contained in the Rules for the General Shareholders' Meeting and shall in any case be subject to the identity and authentication of the shareholders and their representatives being duly guaranteed and all attendees being able to effectively participate in the meeting through the remote means of communication admitted in the convening notice, both to exercise their right to speak, request information, propose, and vote in real time and follow the interventions of the other attendees through the indicated means, taking into account the state of the art and the Company's circumstances, all in accordance with the applicable regulations.

Answers to shareholders or their representatives exercising their right to information during a General Meeting shall be governed by the provisions of the Law and those of article 26 of these Articles of Association.

Should a General Meeting be held exclusively remotely, the shareholders may delegate or exercise their vote regarding the proposals in the points that make up the Agenda prior to the Meeting through the remote means of communication set out in these Articles of Association.

**Article 23. Place and time the General Shareholders' Meeting is held**

Annual General Meetings shall be held at the Company's domicile municipality on the date stated in the convening notice, but its sessions may be extended for one or more consecutive days, upon proposal of the directors or at the request of a number of shareholders representing a quarter of the share capital present or represented by proxy at the Annual General Meeting. Whatever the number of sessions in which the Meeting is held, it shall be considered a single meeting and the minutes drawn up shall be one for all the sessions.

**Article 24. Chairing the General Shareholders' Meeting**

The General Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors and, failing this, by the Vice-Chairpersons, if any. Otherwise, it shall be chaired by the shareholder appointed by the shareholders attending the meeting, as the case may be.

The Secretary of the Board of Directors and, in the absence thereof, the youngest of the directors present, shall act as the Secretary of the General Shareholders' Meeting.

**Article 25. List of Attendees**

Before dealing with the items on the agenda, the Secretary shall draw up an attendance list, stating the nature or position of proxy of each of them and the number of their own or others' shares represented.

The number of shareholders present or represented, as well as the amount of the paid capital of the shareholders.

**Article 26. Right to information**

Until the fifth day before the date set for holding the General Shareholders' Meeting, the shareholders may request the directors for the information or clarifications they deem necessary concerning the items included on the agenda or raise the questions they may deem appropriate in writing. The Company's shareholders may request the Directors to provide any clarifications deemed necessary with regard to any publicly accessible information that may have been provided by the Company to the Spanish Security and Exchange Commission since the last General Meeting was held and with regard to the auditor's report. This may be done either in writing, within the same deadline, or verbally during the General Meeting. The directors must provide the information in writing by the day the General Shareholders' Meeting is to be held.

Valid requests for information, clarifications or questions made in writing and the written responses from the directors, shall be posted on the Company's website. Whenever, prior to asking a specific question, the information requested is clearly, expressly and directly available to shareholders on the Company's website, in a question and answer format, then the directors may limit their response to referring to the information available in the said format.

While the General Shareholders' Meeting is being held, the Company's shareholders attending physically may request the information or clarifications deemed appropriate concerning the items included on the agenda verbally and, if it is not possible to fulfil the shareholder's right at such time, the directors must provide the required information in writing within seven days following the date when the General Shareholders' Meeting ends.

Answers to shareholders or their representatives who, attending by remote means, exercise their right to information during the Meeting shall be provided during the Meeting itself or in writing during the seven days following the end of the Meeting.

The directors shall be obliged to provide the information requested, pursuant to the paragraphs above, unless such information is unnecessary to safeguard the shareholder's rights or there are objective reasons to consider that it could be used for purposes unrelated to the Company or that its disclosure could be detrimental to the company or related companies.

The information shall not be denied when the request is supported by shareholders representing at least a quarter of the share capital.

#### **Article 27. Minutes of the General Shareholders' Meeting**

The minutes of the General Shareholders' Meeting may be approved by the General Shareholders' Meeting itself immediately after the meeting has been held, otherwise, within a term of 15 days, by the Chairperson and two scrutineers appointed during the General Shareholders' Meeting, one representing the majority and the other representing the approved Minutes shall be valid as of the date they are approved. The Secretary of the Board of Directors, acting as the Secretary of the General Shareholders' Meeting, shall draw up the draft minutes if they are approved at the end of the meeting and, otherwise, shall assist the Chairperson and Scrutineers in drawing up the minutes.

Nevertheless, the directors may request the attendance of a Notary Public to draw up the minutes of the General Shareholders' Meeting and shall be bound to do so whenever this is requested by shareholders representing at least 1% of the share capital with five days' notice prior to the date when the meeting will be held. The Certificate issued by the Notary Public shall be considered the minutes of the General Shareholders' Meeting without no need for any involvements by the Secretary or the Chairperson. In any case, for General Meetings held exclusively by remote means, the meeting minutes shall be drawn up by a Notary.

## **CHAPTER V. THE BOARD OF DIRECTORS**

### **Article 28. The Board of Directors**

The Company is represented, governed and managed by a Board of Directors which reports on the Board's management and actions to the General Shareholders' Meeting.

The members of the Board of Directors shall be liable to the Company, to the shareholders and to the company's creditors for any damage that they may cause due to acts or omissions that are against the law or the Articles of

Association or those carried out in breach of the duties inherent to their post, as long as willful misconduct or negligence are involved.

This liability shall be enforceable in the terms established by Law.

#### **Article 29. Structure of the Board of Directors**

The Board of Directors shall consist of no less than seven and no more than fifteen members freely appointed by the General Meeting or, in case of an early vacancy, by the Board itself through cooption. It is not necessary for the directors to be a shareholder .

The prohibitions and disqualifications laid down by law shall be applicable.

The directors shall hold their office for a term of four years. Directors may be reappointed one or more times for equal length periods.

Directors' appointments shall take effect from the time they are accepted.

#### **Article 30. Representation of the Company**

The Company shall be represented in and out of court by the Board of Directors. Nevertheless, no director, except for director appointed as Chief Executive Officer, whatever this function's title is, shall be able to personally accept undertakings on behalf of the Company or represent it, unless powers of attorney have been expressly granted by the Board of Directors.

Representation by the Board of Directors shall extend to all of the actions included in the corporate object.

The members of the Board of Directors shall be renewed upon expiry of the term of office of each director .

#### **Article 31. Holding Board of Directors Meetings and Adopting Resolutions**

The Board of Directors meeting shall be validly held when the majority of its members attend the meeting in person or represented by proxy. Any meetings held must be attended in person by the directors. Nevertheless, directors can delegate for representation to another director in a writing addressed to the Chairperson of the Board, for each meeting, stating how they should vote on each of the items on the agenda. Non-executive directors may only be represented by another non-executive director. Resolutions shall be adopted by absolute majority of the directors attending the meeting in person and represented by proxy, without detriment to other reinforced majorities set out in the Rules of the Board.

#### **Article 32. Meetings of the Board of Directors**

The Board of Directors shall hold a meeting whenever a meeting is called by the Chairperson. The summons shall be made at least five days in advance.

Ordinary meetings of the Board of Directors must take place at least eight times a year, with at least one sesión each quarter.

The Chairperson must call a meeting of the Board of Directors whenever a request thereof is put forward by directors representing at least one third of the members of the company body, with the indication of the Agenda. Should the Chairman, without just cause, fail to call a Meeting within a period of one month, then such Meeting may be called by those directors, to be held in the locality in which the Company's registered offices are located.

The meeting's agenda shall be sent to the members of the Board together with the summons and in any case the agenda must be left open so that the directors may include debates on any other matters in the Company's interests

### **Article 33. Cooptation**

Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held.

If the vacancy that arises is for the director who holds the post of Chairperson or Chief Executive Officer, the Board of Directors may fill the vacancies and temporarily appoint a Chairperson. It may also appoint a Chief Executive Officer voted for by two-thirds of the members of the board. Such appointments shall remain fully valid until the first General Shareholders' Meeting is held.

### **Article 34. Authority of the Board of Directors**

The Board of Directors is vested with the most wide-embracing authority to manage, govern and act on behalf of the Company in all matters concerning the company's trade or business with no limitations whatsoever except those reserved by law or by these Articles of Association for the General Shareholders ' Meeting. The Board of Directors, in any case, may not delegate the following decision-making powers:

- a. Supervision of the effective functioning of any committees that it may have created and of the action of the delegated bodies and any directors appointed.
- b. Determination of the Company and its Group's general policies and strategies.
- c. Authorisation or release from those obligations resulting from the duty of loyalty, according to the provisions of article 230 of the Corporate Enterprises Act.
- d. Its own organisation and operation.
- e. Preparation of the annual accounts and their submission to the General Meeting.
- f. Preparation of any type of report that the Board of Directors is required to prepare by Law, provided that the operation referred to in the report cannot be delegated.
- g. Appointment and dismissal of the Company's managing directors, in addition to the establishment of the terms and conditions of their contracts.
- h. Appointment and dismissal of the directors reporting directly to the Board or one of its members, as well as the establishment of the basic terms and conditions of their contracts, including remuneration.

- i. Decisions relating to the remuneration of the directors, within the framework of the company by laws and the remuneration policy approved by the General Meeting.
- j. Calling the General Shareholders' Meeting and drawing up the Agenda and proposal/ for resolutions.
- k. Policy relating to own shares.
- l. Approval of the annual strategic or business plan, management objectives and budget, the investment and financing policy, the policy for sustainability in environmental and social matters, and the dividends policy.
- m. Determination of the risk management and control policy, including tax risks, and supervision of the internal reporting and control systems.
- n. Establishment of the corporate governance policy for the Company and for the group of which the Company is the controlling entity and, in particular, approval and amendment of its own rules.
- o. Supervision of the preparation and presentation process of the financial information and management report, which shall include the obligatory non-financial information, when applicable, which, being listed, the Company must periodically make public.
- p. Definition of the structure of the group of companies, of which the Company is the controlling entity.
- q. The approval of the investments or operations considered to be strategic or having a special strategic characters based on their high amount or special characteristics, unless their approval corresponds to the General Shareholders ' Meeting;
- r. The approval of the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Company and its group.
- s. Approval, subject to a report from the Audit Committee, of any related-party transactions under the terms established by Law and, if applicable, in the internal regulations that implement it.
- t. Determination of the Company's fiscal strategy.
- u. Any powers delegated to the Board of Directors by the General Meeting, unless expressly authorised by the Meeting to sub-delegate such powers.

In duly justified, urgent circumstances, the decisions corresponding to the matters included in letters l) to t) above may be adopted by the bodies or persons delegated. Such decisions must then be ratified at the first Meeting of the Board of Directors to be held following the adoption of the decision.

### **Article 35. The Chairman**

The Chairman is ultimately responsible for the smooth functioning of the Board of Directors. His duties include calling the meetings of the Board of Directors and, if need be, of the Executive Committee, if one has been set up, drawing up the Agenda for the Meeting, subject to consultation with the Chief Executive Officer or with the



appropriate member of the Board of Directors who has been delegated powers by the Board, ensuring that the board members receive sufficient information in advance to allow them to discuss the items on the Agenda, chairing the meetings, granting or refusing the members of the Boards of Directors, and anyone related to the company and requested to attend, authorisation to speak, directing the discussions and deliberations, promoting debate and the active participation of the board members at the meetings, safeguarding their freedom of decision, closing debates, submitting any disputed issues to vote and announcing the results obtained. Likewise, the Chairman is ultimately responsible for representing the Company before public bodies and for exercising the Company's institutional relations.

The Chairperson of the Board of Directors also acts as the Chairperson of the General Shareholders' Meetings.

In case of absent, one of the Vice-Chairpersons, if there are several shall fulfill these duties.

### **Article 36. The Chief Executive Officer**

The Chief Executive Officer, whatever this function's title, shall be permanently responsible for the duties of representing, governing and managing the company, which shall be performed according to the guidelines and resolutions adopted by the Board of Directors.

His powers shall be defined in any delegation agreement that may be adopted by the Board of Directors. Such agreement, in order to be valid, shall require the favourable vote of two thirds of the members of the Board of Directors and shall not take effect until registered in the Companies' Register.

### **Article 37. The Executive Committee**

The Board of Directors may delegate part or all of its duties to one or several Executive Committees, by means of a resolution adopted with votes in favour of at least two thirds of its members.

Any Executive Committee made of directors appointed by the Board of Directors may determine the internal rules for its own operation and, inter alia, those for sending the summons. The majority of its members must attend in order for the Executive Committee Meeting to be validly held.

### **Article 37 bis. The Audit Committee**

1. The Board of Directors shall set up an Auditing Committee. The Board of Directors shall approve the Rules of the said Committee and shall determine its duties and the procedures required to perform the same, and must promote independence in carrying out its duties.
2. The Audit Committee shall be made up of at least three directors to be appointed by the Company's Board of Directors among non-executive directors. The majority of them shall be independent directors. The members of the Audit Committee as a whole and in particular its Chairperson shall be appointed considering their knowledge and experience on accounting, auditing, and risk management, both financial and non-financial, and altogether must also possess the relevant technical knowledge of the business sector of the Company.

3. The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman function may not be held for a term of office longer than four years but the person may be reappointed when a term of one year has elapsed counted from the date he/she stepped down from office.
4. The Audit Committee will adopt their decisions via an absolute majority of the concurrent members, either attending or represented in the session.
5. The Audit Committee shall have the functions which result from its specific Regulations, and, shall be at least the following:
  - i. Inform the General Shareholders' Meeting on any questions raised that are within the Committee's competence, and in particular, on the result of the audit, explaining how it contributed to the integrity of the financial information and the role played by the Committee in this process.
  - ii. Supervise the effectiveness of the Company's internal control, the internal audit and the risk management systems, and discuss with the accounts auditor any significant shortcomings in the internal control system which may have been detected during the audit, provided that the independence of the Auditor shall not be compromised. For these purposes, and as the case may be, they will be able to submit recommendations or proposals to the administration body and the relevant deadline for follow-up.
  - iii. Supervise the mandatory financial information preparation and presentation process and submit recommendations or proposals to the administration body with the aim of safeguarding the integrity thereof.
  - iv. Submit to the board of directors the proposals for selection, designation, reelection and removal of the accounts auditor, and perform the process of selection in accordance to the provisions of the applicable regulations, including the hiring conditions, and regularly enquiring the auditor for information on the audit plan and the performance thereof, in addition to preserving the auditor's independence for the discharge of the auditor's functions.
  - v. Establish the appropriate relations with the external auditor to collect information on matters that may threaten the auditor's independence, for examination by the Committee, as well as any other matters related to the auditing process, and if applicable, authorize services other than those prohibited under the terms established in the applicable legislation as well as other communications provided for in the account auditing legislation and in the auditing standards. In any case, every year it will be necessary to receive from external auditors their statement of independence regarding the entity or entities related directly or indirectly to the company, as well as the detailed and broken down information on any additional service rendered and the relevant fees paid by these entities to the external auditor or to the persons or entities related to the auditor as established by auditing regulations.

- vi. Annually issue, prior to the issuing of the audit report, a report that expresses an opinion on whether the independence of the accounts auditor or the auditing companies is compromised. This report shall contain, as applicable, the reasoned appraisal of the additional services rendered referred to under the item above, both individually and as a whole, other than the legal audit and related to the independence terms or the accounts auditing regulations.
- vii. Report regarding the related-party transactions that must be approved by the Shareholders in a General Meeting or the Board of Directors and supervise the internal procedure established by the Company for those the approval of which should have been delegated.
- viii. Report to the Board of Directors in advance on all matters provided for by Law, these Articles of Association and the Rules of the Board and, in particular, on:
  1. the financial information and the management report which shall include, when applicable, the obligatory non-financial information that the company must regularly make public; and
  2. the creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories that are considered to be tax havens.

The provisions of items iv), v) and vi) of the section above shall be understood notwithstanding the regulatory guidelines on the auditing of accounts.

In addition to the Committees referred to in the previous sections of this article and the following article, the Board of Directors may set up any other Committees that it may deem necessary to provide assistance for issues related to the matters within its competence.

#### **Article 37 ter. Nomination and Remuneration Committee.**

The Board of Directors shall also have an Appointments and Remuneration Committee, solely comprised of non-executive board members, at least two of which must be independent board members. The Chairman shall be appointed from amongst the independent board members forming part of the Committee.

The Appointments and Remuneration Committee shall have the functions resulting from its own Rules, the Rules of the Board of Directors, and at least the following:

- a. Assess the skills, knowledge and experience required of the Board of Directors. For this purpose, it shall define the roles and capabilities required of the candidates for a particular vacancy and assess the time and commitment required so that they may effectively carry out their duties.
- b. Set a representation target for the least represented sex on the Board of Directors and prepare guidelines on how to achieve this target.
- c. Submit to the Board proposals for the appointment of independent directors through cooption or for the General Shareholders' Meeting consideration, together with the proposals made by the Shareholders' General Meeting for Directors' re-election or discharge.

- d. Report on proposals for the appointment of the remaining directors through co-option or for submitting to the decision of the General Shareholders' Meeting, in addition to proposals made by the General Shareholders' Meeting for their re-election or removal from office.
- e. Report on the proposals for the appointment or removal from office of senior management and the basic terms of their contracts.
- f. Examine and organise the succession of the Chairman 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 the said succession is planned and orderly.
- g. Propose to the Board of Directors the remunerations policy for directors and general managers or those performing their senior management duties and reporting directly to the Board, or to the Executive Committee or to the Managing Directors, where appropriate, in addition to the individual remuneration and other contract terms of the executive directors, ensuring that these are abided by.

#### **Article 38. The Secretary**

The Secretary shall be appointed by the Board of Directors, subject to a report by the Appointments and Remuneration Committee and does not necessarily need to be a Director. The same procedure shall be followed to agree to the removal of the Secretary from office.

In addition to the duties assigned by law, by these Articles of Incorporation and the Rules of the Board, the Secretary shall be responsible for keeping the company's books, drawing up the minutes of the meetings held by the governing bodies, issuing certificates with the approval of the Chairman at the request of the authorised party and the safekeeping of the company books.

He is also responsible for ensuring that the actions of the Board of Directors comply with the applicable regulations and with these Articles of Association and other internal company rules, and for helping the Chairman ensure that the members of the board receive the relevant information for the performance of their duties, in due time and in the appropriate format.

The Secretary of the Board of Directors shall also act as the Secretary of the General Shareholders' Meetings that the company may hold.

#### **Article 39. Remuneration of the Board of Directors**

1. The remuneration for the duties to be carried out 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 as a member of the Board of Directors
- b. a fixed allowance as a member of a committee

- c. per diem for attendance of meetings of the Board of Directors or their committees
- 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 board members in their capacity as such and shall include at least the maximum amount of the annual remuneration to be paid to all board members in that capacity, as well as any other fees as may be required by the applicable regulations.

The individual setting of the remuneration of each board member 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. Likewise, those board members who, in accordance with the provisions of Section 1 of Article 529k 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 delivery 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 pay, 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 delivery of shares or stock options or linked to the value of the shares shall require a resolution by the Shareholders in a General Meeting. This agreement shall 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 any case, 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 members for the discharge of executive duties, as well as any other amounts required by 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 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 thereto.

## **CHAPTER VI. THE ANNUAL ACCOUNTS**

### **Article 40. Miscellaneous Provisions**

The Company's Board of Directors must draw up the annual accounts, the management report, which shall include the non-financial information statement, and a proposal for appropriation of earnings within a maximum term of three months counted from the end of the financial year. They must also submit the consolidated accounts and management report for companies in which Construcciones y Auxiliar de Ferrocarriles, S. A. holds the position of controlling company, pursuant to that set forth in the Spanish Commercial Code.

The annual accounts will include the balance sheet, profit and loss account, a statement featuring the changes in net worth for the year, a cashflow statement and the annual report. A management report must also be included with such documents.

### **Article 41. Final documents to be submitted to the Annual General Shareholders' Meeting**

The documents that must be made available to the shareholders when the General Shareholders' Meeting is held are the annual report, the balance sheet, the profit and loss account, a statement figuring the changes in net worth for the year, a cashflow statement, the proposal for appropriation of earnings, the management report and the auditors' report.

Any shareholder may demand a copy of such documents which must be provided by the Company, at its expense. This right shall be mentioned in the notice.

### **Article 42. Approval of the accounts**

The Annual General Meeting shall approve the accounts, adopting the resolution by a simple majority of the votes of shareholders present in person or by proxy.

### **Article 43. Appropriation of Earnings**

The profits obtained by the company, determined according to the Capital Company Act and the Corporate Income Tax Act, shall be allotted as shown below:

1. Amortisation of the legal reserve fund, until it has been constituted with the legal limit.

2. Establishing a voluntary reserve.
3. Distribution of dividends.

The Board of Directors may agree on paying out interim dividends by fulfilling the provisions stipulated by law.

4. The remuneration payable to the Board of Directors shall be considered as expenses.

## **CHAPTER VII. DISSOLUTION AND WINDING UP**

### **Article 44. Reasons for winding up**

The company may only be wound up for the legally stipulated reasons. The General Shareholders' Meeting shall appoint an odd number of receivers.

## **CHAPTER VIII. ACCEPTANCE OF THE ARTICLES OF ASSOCIATION, DISPUTES AND JURISDICTION**

### **Article 45. Jurisdiction**

The shareholders shall be subject to these Articles of Association and any disputes that may arise between them and the company shall be settled at the first General Shareholders' Meeting the company holds, the shareholders preserving the effective right for jurisdictional protection. The claimants shall make their claims in written documents with due grounds submitted to the Board of Directors or, when appropriate, to the receivers, so that the General Shareholders' Meeting may adopt a decision on the claim and the shareholders shall always preserve the right to effective protection by the Judges and Courts.

Any disputes between the shareholders and the company shall be expressly submitted to the Courts and Tribunals in the district where the company's registered office is located, expressly waiving any other jurisdiction that may be applicable.