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**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES**

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE

31/12/2020

TAX ID (CIF)

A20001020

Company name:
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Registered office:

JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GIPUZKOA

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES**

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	34,280,750

Indicate whether there are different classes of shares with different associated rights:

- [] Yes
[v] No

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.56	0.00	0.00	0.00	24.56
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
NORGES BANK	3.04	0.00	0.22	0.00	3.26
INVESCO LIMITED	0.00	1.02	0.00	0.00	1.02

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, S.L.	5.00	0.00	5.00
INVESCO LIMITED	GROUP'S COMPANIES	1.02	0.00	1.02

Indicate the most significant changes in the shareholder structure during the year:

Most significant changes

On 12 March 2020, DANIMAR 1990, S.L. reached the threshold of 5% of the share capital.

On 14 April 2020, the ownership interest of EDM GESTIÓN, Sociedad Anónima Unipersonal, S.G.I.I.C. dropped below the threshold of 3% of the share capital.

On 22 June 2020, NORGES BANK exceeded the threshold of 3% of the share capital.

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.00
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
No data					

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A	Contractual	Workers' share instrument in CAF's share capital
KUTXABANK, S.A.	Corporate	Creation of an Economic Interest Grouping for projects with Metro of Barcelona

A.6 Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia is a member of the Board of Trustees of several Voluntary Social Welfare Entities (EPSVs) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	Mr Domínguez de la Maza is a member of the Board of Directors of INDUMENTA PUERI, S.L. as well as joint and several attorney-in-fact of the latter and of GLOBAL PORTFOLIO INVESTMENTS, S.L.

Ms Idoia Zenarrutzabeitia Beldarrain has been appointed as Proprietary Director by proposal of the significant shareholder KUTXABANK, S.A., on 13 June 2020, replacing the director Mr José Antonio Mutiloa Izaguirre whose position expired on 11 June of the same year.

Furthermore, Mr. Manuel Domínguez de la Maza was also appointed as Proprietary Director of the Company, under the resolution of the Annual General Meeting of the same date, in representation of the significant shareholder INDUMENTA PUERI, S.L.

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

- Yes
 No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

- Yes
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

- Yes
 No

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The CAF General Meeting held on 13 June 2020 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates. b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law. c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law. d) Acquisitions shall be done at market price. e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force. f) This authorisation shall be valid for a five-year term.

Also, the Annual General Meeting held on 2 June 2018 resolved to empower the Board of Directors to increase the share capital through the issuance of new shares against monetary contributions over a period of five (5) years and up to half of the amount of the share capital, pursuant to Article 297.1.b) of the Spanish Limited Liability Companies Law.

A.11 Estimated floating capital:

	%
Estimated floating capital	47.09

A.12 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

- Yes
 No

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

- Yes
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

- Yes
 No

If so, indicate each share class and the rights and obligations conferred.

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

- Yes
 No

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

- Yes
 No

B.3 Indicate the rules for amending the company’s articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders’ rights in the event of amendments to the articles of incorporation.

The regime for modifying the Company Bylaws does not present differences with respect to the provisions of Articles 285 et seq of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, which require the approval of the Annual General Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Therefore, section eight of Article 13 of the Bylaws empowers the Annual General Meeting to resolve upon the modification thereof. Article 20 of those Bylaws provides that, in order to adopt resolutions on the issuance of convertible debentures or of bonds that give bondholders a share in company profits, the increase or reduction of capital, the suppression or limitation of the pre-emption rights of new shares, the transformation, merger or spin-off of the Company or the transfer en bloc of assets and liabilities, the transfer of the registered address abroad and, in general, any modification of the Bylaws, it will be necessary, on first call, that the shareholders in attendance, in person or by proxy, account for at least 50% of the share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. On second call, when the shareholders in attendance account for 25% or more of the share capital with voting rights but less than 50%, the aforementioned resolutions may be adopted validly with the vote of two thirds of the capital present either in person or by proxy at the Meeting. Also, in compliance with the provisions of Article 286 of the LSC, when the Ordinary or Extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must with due clarity express the matters to be modified and the rights of every shareholder to examine at the registered office the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent (Article 16 of the Bylaws).

Pursuant to Article 21 of the Bylaws, the shareholders that hold a thousand or more Company shares may attend the Annual General Meeting and take part in its deliberations with a right to speak and vote. Shareholders that have fewer shares may group together and give their representation to another shareholder in order to reach a thousand or more shares. Any shareholder entitled to attend may be represented at the Annual General Meeting by another person, even if that person is not a shareholder.

B.4 Give details of attendance at General Shareholders’ Meetings held during the reporting year and the two previous years:

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
10/06/2017	27.60	43.52	0.00	0.00	71.12
Of which, free float:	0.09	23.08	0.00	0.00	23.17
02/06/2018	25.53	49.17	0.00	0.00	74.70
Of which, free float:	0.23	28.82	0.00	0.00	29.05
15/06/2019	37.52	34.54	1.64	1.66	75.36
Of which, free float:	2.29	26.54	1.64	1.66	32.13
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01

B.5 Indicate whether any point on the agenda of the General Shareholders’ Meetings during the year was not approved by the shareholders for any reason.

- Yes
- No

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

- Yes
 No

Number of shares required to attend General Meetings	1,000
Number of shares required for voting remotely	1

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

- Yes
 No

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The corporate information is available under "Shareholders and investors" of the corporate web site (www.caf.net). The complete path is <http://www.caf.es/es/accionistas-inversores/index.php>.

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Spanish Capital Companies Act, the Consolidated Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 23 June, from the National Securities Market Commission, on technical and legal specifications and information to be contained in the web sites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Code of Conduct within the sphere of Securities Markets; the membership of the Board of Directors and its committees; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the "Modern Slavery Act" and Sustainability Report).

In addition, the subsection on "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the resolutions adopted after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

In order to facilitate the exercise of remote voting rights, proxy voting and telematic attendance at the Annual General Meeting, for the first time in 2020 a computer platform was enabled on the Company's website, indicating the rules applicable to each case.

C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Executive	CHAIRMAN AND CEO	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other External	DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Independent	COORDINATING INDEPENDENT DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	10/06/2017	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS MARTA BAZTARRICA LIZARBE		Executive	DIRECTOR – SECRETARY OF THE BOARD	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS IDOIA ZENARRUTZABEITIA BELDARRAIN		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	11
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JOSÉ ANTONIO MUTILOA	Proprietary Director	11/06/2016	13/06/2020	--	No

Cause of removal, when it has occurred prior to the conclusion of the term of office and other observations; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the Annual General Meeting

After the Annual General Meeting held on 13 June 2020, Mr. José Antonio Mutiloa Izaguirre's a membership of the Company's Board of Directors expired, at the end of the four-year term for which he was appointed director pursuant to a resolution of the Annual General Meeting of 11 June 2016

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. He has been a Director of CAF since 1991. On 26 July 2006, he was appointed Chief Executive Officer, a post he has held ever since. Since 29 December 2015, he has been Chairman of the Board of Directors of CAF.
MS MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Management from ICADE. She has developed her professional career at CAF and holds the position of Director of the Group’s Legal and Compliance Department. She is Secretary of the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	18.18

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Ms. Idoia Zenarrutzabeitia is a graduate in Law specialising in law and economics, from University of Deusto. She has held, among others, the positions of member of the Basque Parliament and Deputy-Lehendakari (President) and Minister of Finance and Public Administration of the Basque Autonomous Community Government-. She has been Director of the National Energy Commission and the Spanish National Markets and Competition Commission (CNMC). She is currently a member of the Board of Trustees of several EPSVs of BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Mr. Manuel Domínguez de la Maza is a graduate in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master’s Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, S.A., where he has held the position of General Manager since 2007.

Total number of proprietary directors	2
Percentage of Board	18.18

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
MR JAVIER MARTÍNEZ OJINAGA	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management.
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from "Instituto de Empresa". Most of her professional career has been spent in the financial industry, occupying various management positions. She has been an independent director and Chairwoman of the Audit Committee of eDreams ODIGEO.
MR JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is also the sole director of Samuelson Consulting, S.A. and Samuelson Logistics, S.A. and a board member of CITYNET, S.A.
MS ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is also a partner of the consulting firm Vesper Solutions.
MR IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is currently a member of the Advisory Committee of Ericsson España and Accenture.

Total number of independent directors	5
Percentage of Board	45.45

The independent directors have not received any payment or benefits other than directors' remuneration; nor have they had any business dealings with the Company or any Group company.

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is	Profile
MR LUIS MIGUEL ARCONADA ECHARRI	Director Mr. Luis Miguel Arconada Echarrri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.	MR LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world.
MR JUAN JOSÉ ARRIETA SUDUPE	The director Mr. Juan José Arrieta Sudupe does not have any relationship with the Company or with its senior executives or shareholders. However, he cannot be classed as independent since he has been a director for a continuous period exceeding 12 years.	MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools.

Total number of other external directors	2
Percentage of Board	18.18

Indicate any changes that have occurred during the period in each director's category:

Name of director	Date of change	Previous Status	Current status
MR JUAN JOSÉ ARRIETA SUDUPE	07/06/2020	Independent	Other external

Pursuant to Article 529 duodecies of the Spanish Limited Liability Companies Law, Mr. Juan José Arrieta Sudupe went on to hold the category of "Other external director" after having spent a continuous period of twelve years as a member of the Board of Directors, since having first been appointed as a director on 7 June 2008, a fact that was reported to the market through the corresponding communication of Other Relevant Information.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of directors for each			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1				50.00	0.00	0.00	0.00
Independent	2	2	2	2	40.00	33.33	40.00	40.00
Other external					0.00	0.00	0.00	0.00
Total	4	3	3	3	36.36	30.00	30.00	30.00

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the gender diversity policy that they have put in place.

- Yes
- No
- Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of the policies, their objectives, the related measures and the manner in which they have been applied and the outcome of their implementation
<p>In light of the most recent regulations on diversity with regard to the selection criteria of directors, the Board of Directors of the Company, by proposal of the Appointments and Remuneration Committee, has agreed to update the Directors Selection Policy, with the approval of the latest Director Diversity and Selection Policy at a meeting held in 2018, which has replaced the previous version.</p> <p>On 17 December 2020, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, agreed to modify the aforementioned Policy considering both the provisions of Technical Guide 1/2019 on Nomination and Remuneration Committees, and the latest developments introduced in the partial reform of the Code of Good Governance of Listed Companies, of June of the same year.</p> <p>The Director Diversity and Selection Policy of CAF (the "Policy"), which is specific and verifiable in nature, is intended to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, age and gender from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.</p> <p>The Board of Directors and its Committees should have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees.</p> <p>Accordingly, the criteria aimed at guaranteeing the diversity in the Board of Directors will serve in the necessity of the Board of Directors applicable to the selection of candidates to become directors. To do so, the Board's competencies matrix will be taken into account, which will be kept updated by the Nomination and Remuneration Committee.</p>

Specifically, diversity criteria may restrict the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Specifically, diversity criteria have been adopted with regard to the following

Categories:

Training and professional experience:

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.

In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

In relation to the composition of the committees, their members will be appointed from among the directors taking into account the most appropriate profiles for each Committee.

In particular, it will be ensured that the directors who form part of the Audit Committee have, as a whole, the requisite knowledge of accounting, auditing and risk management, both financial and non-financial, and of the business. Also, and whenever possible, it will be ensured that the members of the Nomination and Remuneration Committee are appointed taking into account their knowledge and experience in areas such as corporate governance, human resources, selection of directors and executives, and design of policies and remuneration plans, all this in accordance with the provisions of the Regulations of each Committee.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of women in executive positions:

Explanation of measures

CAF's Appointments and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 4 of the current Company's Director Diversity and Selection Policy. Also, Article 3 of the Committee's Regulations establishes as one of its functions that of "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors, as explained in the previous sections.

In 2020 the Committee submitted to the Board of Directors the proposal for the re-election of an independent director, as well as the preliminary reports for the re-election of an executive director and for the appointment of a proprietary director.

As a result of the resolutions adopted by the Annual General Meeting of 13 June, the number of women on the Board of Directors increased to four. By doing so, the company has met the 30% target established in Recommendation 14 of the CBGSC until its review in June of this year, for the fourth year in a row.

As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director. Additionally, the Head of Internal Audit is a woman.

Also, the Company is promoting the inclusion of women in the management committees of the Group's business units, as well as in those of the subsidiaries CAF P&A, CAF SIGNALLING and CAF TE, with significant headway having been made in recent years.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
<p>CAF promotes equality in the selection and promotion processes, and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. In fact, as explained in the previous sections, the Company has been making progress in recent years in relation to the incorporation of women both in the Board of Directors and in managerial positions within the organisation.</p> <p>As provided for in CAF's Code of Conduct, the Sustainability Policy and the Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men.</p> <p>To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies.</p> <p>In turn, the Collective Agreement of CAF, S.A. states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men.</p> <p>Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes.</p> <p>In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.</p>

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at favouring a suitable composition of the Board of Directors.

<p>On 17 December 2020, the Appointments and Remuneration Committee issued its Annual Report on the compliance with the Director Diversity and Selection Policy.</p> <p>As indicated previously, in 2020 the shareholders at the Annual General Meeting approved the re-election of an independent director and an executive director and the nomination of two independent directors.</p> <p>In accordance with the drawn conclusions contained in its Report, the Appointments and Remuneration Committee of CAF deemed that the provisions of the Director Diversity and Selection Policy of CAF had been appropriately complied with for all cases. Specifically, it should be noted that all the appointments and re-elections agreed upon in 2020 were based on the analysis of the needs of the Board, in accordance with the matrix of competencies, in order to favour diversity, avoiding any implicit biases that could lead to discrimination based on reasons of age, gender, disability, or any other personal attribute.</p> <p>The consequence of these appointments and incorporations in previous years is a Board of Directors made up of eleven members, which is within the limit established in the bylaws, the Board Regulations and in Recommendation 13 of the CGG. Its composition is balanced and the training and experience of its members is diverse, being both highly qualified and with professional experience, bringing together various competencies that are relevant to the Company's future strategy. It also has a variety of ages and gender diversity, as well as a significant percentage of independent directors, in line with the best Corporate Governance practices.</p>
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C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Detail any failure to address formal requests for Board representation from shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

- Yes
 No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name of director	Brief description
MR ANDRÉS ARIZKORRETA GARCÍA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name of director	Name of group member	Position	Does the director have executive powers?
MR ANDRÉS ARIZKORRETA GARCÍA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INDIA PRIVATE LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NEW ZEALAND LIMITED	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF RAIL AUSTRALIA PTY LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF CHILE S.A.	Chairman	NO
MR ANDRÉS ARIZKORRETA GARCÍA	CAF ARGELIA EURL	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NETHERLANDS B.V.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF FRANCE SAS	Chairman	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NORWAY AS	Sole Director	YES
MS MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇÃO, S.A.	Director	NO
MS MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name of director	Name of listed company	Position
MS CARMEN ALLO PÉREZ	eDreams ODIGEO	DIRECTOR

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

- Yes
 No

Explanation of the rules and identification of the regulating document

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four Boards of Directors in listed companies other than the Company or its group.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Board remuneration in financial year (thousand euros)	1,716
Amount of vested pension interests for current members (thousand euros)	3,830
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name	Position
MR JOSU IMAZ MURGUIONDO	GENERAL CHIEF OF VEHICLES
MR IBON GARCÍA NEILL	DIRECTOR OF RAILWAY SERVICES
MR URTZI MONTALVO IBARGOYEN	DIRECTOR OF OTHER BUSINESS
MR AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL OFFICER AND STRATEGY
MR JESÚS MARÍA IBARBIA IRIONDO	DIRECTOR OF TECHNOLOGY
MR GORKA ZABALEGI AGINAGA	CHIEF HUMAN RESOURCES OFFICER
MS IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR
Number of women in executive positions	1

Women as a percentage of the total executive positions	14.28
Total remuneration for senior executives (in thousands of euros)	2,369

The total figure of the remuneration of senior executives includes the remuneration, in regard of the portion accrued during their tenure in office in 2020, of five senior executives who held that position at the beginning of the year, but who did not have that status at year-end.

C.1.15 Indicate whether the Board regulations were amended during the year:

- Yes
 No

Description of amendments

On 17 December 2020, the Board of Directors unanimously approved the amendment of Articles 3, 5, 6, 8, 9, 10, 11, 13, 14, 16, 17, 18, 19, 21, 22, 23 and 34 of its Regulations, in order to adapt them to the Code of Good Governance for Listed Companies after the review thereof conducted by the CNMV in June 2020, and include certain technical improvements.

The amended Regulations were filed at the Guipúzcoa Mercantile Registry on 14 January 2021 and communicated to the CNMV on 20 January 2021. Also, they have been published since that date on CAF's corporate website (<https://www.caf.net/es/accionistas-inversores/gobierno-corporativo/reglamento-consejo-administracion.php>).

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. Disqualification according to legal grounds shall apply (Article 29 of the bylaws). 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. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the bylaws). Additionally, in exercising its powers to submit proposals at the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of the Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors, these last being at least one third of the total Board membership (Art.7 of the Board Regulations).

Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Appointments and Remunerations Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Appointments and Remuneration Committee. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance scheme. Likewise, Directors should also be offered refresher programmes when circumstances so advise (Article 15 of the Board Regulations).

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendments

The Board of Directors, on the basis of previous reports issued by Committees, and by the independent external consultant, the results of which were positive, has positively evaluated the performance of the Board and its Committees in 2020 and has verified that all Action Plans scheduled for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for the 2021 fiscal year, however, they do not led to any significant changes to the internal organisation or in the procedures concerning its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

In accordance with Article 5.5 of the Board Regulations, the Board of Directors must perform an annual assessment of its functioning and that of its Committees, and it must propose, on the basis of its findings, an action plan to correct any deficiencies found. To this end, the Board uses the reports prepared by the Committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment. Additionally, following the mandate contained in Recommendation 36 of the Code of Good Governance, which provides for the involvement of an external consultant in the process every three years, in 2020 the assistance of an external evaluator was required, whose independence was verified by the Nomination and Remuneration Committee.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2020:

- a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are exploited effectively.
- b) Size, composition and diversity of the Board and its Committees.
- c) The performance of the Chairman of the Board and the Chief Executive of the Company.
- d) The performance and contribution of each director, placing particular emphasis on the persons responsible for the various committees of the Board.
- e) Frequency and duration of the meetings.
- f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance.
- g) Quality of received information.
- h) Breadth and openness of the debates.
- i) If the decision-making process is dominated or strongly influenced by one member or a small group of members.

From the methodological standpoint, the indicators taken into consideration included, among others, the degree to which the Board and the Committees comply with applicable regulatory requirements and guidelines in the area of corporate governance and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2020 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 17 December 2020, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans established for the year analysed were completed satisfactorily. The improvement recommendations proposed by the external evaluator were also taken into consideration.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

The external consultant, responsible for evaluating the Board and its Committees in 2020, has not had any relationship with the Company or with any other company in its group, other than the evaluation service provided.

In the independence declaration provided to the Company, the evaluator confirms that they have "no commercial relationship with CAF, or any of its directors, or executives and, therefore, their independence can be confirmed in the performance of the work commissioned".

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, ceased to exist and, in particular, proprietary directors must resign when the shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Appointments and Remuneration Committee when not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

The directors must inform the Board and, where appropriate, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Board Regulations).

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

- Yes
- No

If so, describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

- Yes
- No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes
- No

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes
- No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, provide a brief description of the rules.

Article 31 of the Company’s Bylaws and article 14 of the Board of Directors’ Regulations determine that Directors shall make every effort to attend Board sessions and, when they cannot do so personally, may confer their representation to another Director in writing to the Board Chair, without limiting the number of representations that each can bear for Board assistance. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

Additionally, these same rules require that non-executive Directors may only confer their representation on a non-executive Director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	10
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Indicate how many meetings of the various Board committees were held during the year:

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in situ of at least 80% of directors	10
Attendance in person as a % of total votes during the year	99.04
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	10
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes
 No

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Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR ANDRÉS ARIZKORRETA GARCÍA	CEO
MR AITOR GALARZA RODRÍGUEZ	Chief Financial Officer and Strategy

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 34 of the Board Regulations).

To this end, the separate and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope

of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to regularly collect information from the auditors on the auditing process and in particular on any discrepancies that may arise between the auditors and the Entity's management. Upon completion of the audit, the Committee shall review with the external auditor the significant findings arising from its work, as well as the contents of its mandatory reports. (Article 13 of the Audit Committee Regulations).

Financial statements for the year ended 31 December 2019 as well as previous years were approved by the Board of Directors without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes
 No

If the secretary is not a director, complete the following table:

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of external auditors:

In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 a of the bylaws).

Pursuant to the foregoing, the Company's Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency (i) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. (ii) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on statutory audit, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) Issue, prior to the issuance of the audit report, an annual report stating its opinion on the auditors' or audit companies' independence is issued. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the foregoing section, reviewed individually and as a whole, apart from the various legal auditing and in relation to the regime of independence and governing regulations on audit activities. . Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence, as well as establish an indicative limit on the fees that the auditor may receive annually for services other than auditing (iv) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV), accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind. Conduct a final evaluation about the auditor's work and how it contributed to the audit quality and to the integrity of the financial information. (Article 3 of the Audit Committee Bylaws and Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the Committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures, (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the entity's senior management; and (iii) the Audit Committee will regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the entity's senior management. When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes
 No

CAF's Board of Directors resolved to submit to the Company's Annual General Meeting held on 13 June 2020, the appointment of EY as the auditor of CAF and its consolidated group for 2021, 2022 and 2023, in accordance with the recommendation issued by the Company's Audit Committee as a result of the auditor selection process performed.

If there were any disagreements with the outgoing auditor, explain their content:

- Yes
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes
 No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	236	236
Amount invoiced for non-audit services/Amount for audit work (in %)	0.00	35.76	35.76

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

- Yes
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	31	20

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (in %)	72.09	100.00

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

- Yes
 No

Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. A schedule is approved containing eight sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is earlier. The call also includes the meeting's agenda, and the documents that must be previously and early enough reviewed by the Directors. In any case the Directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

- Yes
 No

Explain the rules

As established in Article 18 of the Board Regulations, Directors must place their position at the Board's disposal in certain cases, and particularly when they are prosecuted for an alleged criminal offense or subject to breach determined by supervising authorities. In turn, Directors shall inform the Board and where appropriate, resign, when situations affecting them occur, that may or may not be related to the duties they discharge within the Company, that may harm the Company's name and reputation and, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted.

All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of

the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to consultative voting at the General Shareholders' Meeting.

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent
MR JAVIER MARTÍNEZ OJINAGA	MEMBER	Independent
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Due to Mr. Juan José Arrieta Sudupe having spent a continuous period of twelve years as a member of the Board of Directors, since first being appointed as an independent director on 7 June 2008, the Company announced, through the CNMV, the change of category of Mr Arrieta to that of "other external director".

Explain the functions delegated or assigned to this committee, other than those legally provided, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

Organisation:

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent Directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.

The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors shall appoint its Secretary, who shall not necessarily hold the office of Director. (Article 2 of the Audit Committee Bylaws and Regulations).

Functions:

Its main functions are: a) In relation to the General Meeting: i. Advising the General Shareholders' Meeting on any matter within the Committee's competence, namely on the audit's result, and explaining its contribution to the financial information's integrity and the function performed by the Committee within that process. ii. Ensure that the financial statements submitted to the shareholders at the Annual General Meeting are prepared in accordance with accounting legislation. In the event that the auditor includes any qualification in its report, the Chair of the Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board. b) In relation to the internal control systems: i. Supervise and evaluate the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness. ii. Supervise the effectiveness of the Company's internal control and in particular of the system of Internal Control over Financial Reporting (ICFR). iii. Supervise and evaluate the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption. For the purposes of points i. to iii. above, the Committee can, where appropriate, present recommendations or proposals to the Board of Directors and its monitoring deadline. iv. Oversee the Company's internal control and risk management function. v. In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice. vi. Oversee compliance with the internal codes of conduct. vii. Establish and supervise a mechanism whereby staff and other people related to the Company and its Group, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential importance, including financial and accounting matters, or matters of any other nature related to the Company that may come to their attention within the Company or its Group. This mechanism must guarantee confidentiality and, in all cases, envisage circumstances in which reports can be made anonymously, while respecting the rights of the complainant and the respondent. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JAVIER MARTÍNEZ OJINAGA / MR JUAN JOSÉ ARRIETA SUDUPE
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MS ANE AGIRRE ROMARATE	CHAIRWOMAN	Independent
MR LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR JULIÁN GRACIA PALACÍN	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

Organisation:

In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Committee members will be appointed for a term of four years, and may be re-elected. They will cease to hold office as directors in accordance with a Board resolution, when they resign or for failing to comply with the Regulation requirements or the legal provisions. Renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the Annual General Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Appointments and Remuneration Committee Regulations).

Functions:

Articles 37 ter of the Bylaws and 3 of the Appointments and Remuneration Committee has the following basic responsibilities: 1) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it will draw up a matrix with the responsibilities of the Board that defines the functions and skills required for candidates to cover each vacancy, periodically updated, and shall evaluate the time and dedication required to attain goals effectively. 2) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. 3) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, by submission for approval by the Annual General Meeting, as well as the proposals for such Directors' re-election or removal. 4) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. 5) Report the proposal for appointment of the Chairman of the Board of Directors, as well as of the Deputy Chairmen. 6) Inform the Board of Directors of the appointment or removal of the Secretary. 7) Raise to the Board of Directors the proposal for the appointment of an Independent Coordinating Director. 8) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. 9) Examine and organise the plan for the succession of the Board of Directors' chairman and the Company's Managing Director and, as applicable, make proposals to the Board of Directors for make

such succession to occur in an orderly and planned manner periodically preparing and reviewing a succession plan for such purpose. 10) Issue a report before the Board of Directors warns a director regarding non-fulfilment of his obligations as a director. 11) Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	0	0.00
NOMINATION AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website (www.caf.net), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations has been modified by a resolution of the Board of Directors, of 17 December 2020, with the principal objective of:

- i. Adapting its content to the Recommendations modified in the partial reform of the good governance code. In particular, adapting the description of the functions of the Committee to the wording of the new Recommendation 42 on the mandatory functions of Audit Committees. Among other developments, this Recommendation reinforces the specialisation of this Committee in relation to the supervision of information and control of financial and non-financial risks, and broadens the requirements in matters such as the reporting channel that the Company must make available to employees and other stakeholders, guaranteeing confidentiality, as well as allowing anonymous reports to be made in certain cases.
- ii. Incorporate into the Regulations certain provisions of Technical Guide 3/2017 of the CNMV on Audit Committees, (the "Technical Guide"), which the Company already complies with.
- iii. Incorporate certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

APPOINTMENTS AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF web site (www.caf.net), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.

The Nomination and Remuneration Committee Regulations were amended on 17 December 2020 for the purpose of: (i) adapt it to the Recommendations amended in the aforementioned partial reform of the good governance code, especially: adjusting the distribution between the Committees of the functions regarding sustainability and corporate governance matters, to the new description thereof contained in Recommendation 54, with the appointments and remuneration Committee maintaining most of the responsibilities in this matter, with the exception of communications with shareholders and voting investors and other stakeholders, which is assigned to the Audit Committee, as well as the oversight of compliance with the internal codes of conduct, which the latter Committee would assume in line with the function's connection with risk control and, specifically, corruption risk control, and adapting to the new wording of Recommendation 22 the description of the advisory function that corresponds to the Committee in relation to situations in which the directors may find themselves that may affect the Company's good name and reputation. (ii) Incorporate into the Regulations certain provisions of the CNMV Technical Guide 1/2019 on Nomination and Remuneration Committees, with which the Company had already been complying, and (iii) incorporate other technical improvements, perfecting their wording.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

The Board of Directors has been attributed, but without the capacity to delegate, the duty to approve, prior report from the Audit Committee, the transactions made by the Company or group companies with the Directors under the rules of the Capital Companies Law, or with shareholders holding a significant equity interest, either individually or jointly, including shareholders represented on the Board of Directors of the Company or other companies forming part of the same group or with their related persons. This approval shall not be applicable for any transaction meeting all of the three following conditions: 1.º they are governed by standard form agreements applied on an across-the board basis to a large number of clients, 2.º they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3º. they contain amounts not exceeding one percent of the Company's annual revenue. (Art. 5 of the Board Regulations).

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,605

The company Metro CAF Mauritius, Ltd. has been incorporated in Mauritius, exclusively for the performance of an agreement for the supply of trams in the country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

Note 10 of the consolidated Notes to the Financial Statements for fiscal year 2020 includes the details on balances and transactions with associated companies that have not been removed during the consolidation process.

D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.

Section 229 of the Capital Companies Law and Articles 24 and 25 of the Board of Directors' Regulations require directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. In turn, the Board of Directors' Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for Directors, as well as the consequences for breaching. In its Article 18, the Board of Directors' Regulations expressly states that Directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement.

D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes
 No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax risk.

CAF Group's Comprehensive Risk Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates.

The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the corporate policies section at www.caf.net.

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group involve a variety of risks, with the Company defining the basic guidelines in order to standardize the operating criteria in each of the divisions to ensure an adequate internal control level.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their

valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

In order to respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and information of the various risks.
- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System implemented in the Group.

Likewise, the Corporate Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities, while maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In 2020 emphasis was placed on adjusting and improving the management methodology and dynamics of the following risk categories: Environmental, Criminal and Competition. Within the scope of these three areas, the criteria for analysing risks and opportunities have been standardised in addition to the single framework of responsibilities for risks and their supervision among the various businesses of the Group.

In the case of Criminal Risk Management and Competition dynamics, we worked closely with the Corporate Compliance Department. In the case of Environmental Risk Management, we worked with the Environmental Forum, made up of the environmental managers of each business.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

Finally, it should be noted that through the General Risk Control and Management Policy, the Organization is committed to developing all its capabilities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled.

In this regard, the Audit Committee is in charge of ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the implemented integrated system operates properly.

E.2 Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.

As established in Article 5 of Board of Directors' Regulations on the General Supervision Area, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including those on tax risks and the supervision of internal information and control systems, is one of the matters made exclusively available to all Board members.

In addition, as provided for in Article 3 of its Regulations, the Audit Committee is the body responsible for supervising and evaluating the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the company's highest executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and knowing the main elements of its evolution and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

- Ensure the good performance of the comprehensive risk management and control system and, particularly, that all material risks affecting the Company are properly identified, managed and quantified,
- Participate actively in the risk strategy preparation and in the important decisions regarding its management and
- Ensure that the comprehensive risk control and management system mitigates risks adequately in accordance with the policy framework set forth by the Board.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) apply the Fiscal Policy established and approved by the Board of Directors and (ii) ensure compliance with the principles of action regarding tax matters under the Fiscal Policy approved by the Board of Directors, in which are included, the prevention and mitigation, as far as possible, of the tax risks.

In addition, the task of CAF's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

E.3 Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The most important risks facing the Group may be classified into the following categories:

Strategic risks: these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.

Financial risks: arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:

Market risk, considering the following typologies:

Interest rate risk: risk to changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.

Currency risk: risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

Risk of raw material prices: risk derived from changes in prices and market variables in relation to raw materials needed in the business supply chain.

Credit risk: it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparts to which the Group has effectively granted net credit and are pending liquidation or collection.

Liquidity and financing risk: in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to the asset, it is the risk of not being able at any given moment to obtain asset acquirers, for the sale at market price, or the lack of market price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the Financial Statements.

Legal Risks: come from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and possible contingencies arising from them. Also included risks related to judicial proceedings, administrative procedures and complaints.

Operational risks: inherent to all Group activities, products, systems and processes that lead to financial losses and damage in the Company image due to human/technological error, inadequate/defective internal processes or the intervention of external agents.

Corporate Governance Risks: arising from the potential noncompliance of the Group's Corporate Governance System, which regulates the design, integration and functioning of the Governing Bodies and their relationship with the Company's stakeholders and which is, in turn, based on commitment to ethical principles, good practices and transparency, built around protection of the Company's interests and the creation of sustainable value.

Compliance and Regulatory Risks: arising from the violation of national and international rules and laws that apply independently of the activity itself, which fall within the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market, competition and unfair competition regulations), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including, among others, the rules of protection of personal data, environmental laws, etc.).

As for the Statement of Non-Financial Information for the fiscal year ended in 2020, which was included in the Directors Report, the various types of aforementioned risks were assessed in detail. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The risk tolerance level established at the corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk.

The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

A prudent policy in tender submission, applying predetermined Risk-Profitability thresholds in the decision-making process.

An adequate risk management infrastructure in terms of governance and material and human resources availability.

Search for positioning in high growth segments, in geographies that are classified as strategic and in products for which previous capacities and experiences that allow generating value to the company are verified, maintaining in any case the desired profitability and cash generation levels.

The level of risk is defined as the product of probability and impact. Both the probability of occurrence and the impact are assessed based on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:

Very low and low level risks may be accepted and no Control or Action Plan may be necessary to manage them.

Medium-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or an Action Plan that mitigates the risk to a low level and, therefore, acceptable.

High and very high level risks will require adequate administration and management as well as preparing a formal Action Plan, which will be monitored according to its criticality by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks that could affect the Group. In general, although fundamentally applicable to Operational Business Risks, tolerance thresholds are defined which in case of being achieved, would make it necessary to establish new or existing Controls or Actions Plans. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

Regarding Financial and Strategic Risks, there is a tolerance level in terms of its economic impact at the corporate level and, in particular, a zero tolerance principle for those illegal acts or scam situations.

With regard to fiscal risks, the Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities.

E.5 Indicate which risks, including tax risks, have materialised during the year.

During 2020 no material or extraordinary risks materialized, beyond those included in the Directors' Report and the Notes to the Financial Statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any material impacts on the Company's equity due to risk exposure.

Among the extraordinary risks, mention must be made of the emergence of COVID-19 at global level. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

The foreign currency risk to which the Company is exposed due to its operations in the international sphere is managed in accordance with the Market Risk Policy approved this year by the Board of Directors, which envisages various strategies aimed at reducing this risk such as the establishment of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other complementary measures.

Finally, to mention that mechanisms to anticipate and adequately manage the potential consequences of Brexit have been applied, both in contracts in the portfolio and in future tenders.

E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans considered appropriate to remedy the situation of the project in execution or in a previous stage are evaluated in order to decide not to submit the corresponding tender.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

The Comprehensive Risk Management System adopted by CAF is aligned with international standards, ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines Model, on assigning responsibilities in the risk management and control area.

The responsibilities granted by CAF for each Line are as follows:

The First Line rests on the business's own operating units which are responsible for day-to-day risk management as well as for maintaining internal control and implementing actions to address control deficiencies.

The Second Line complements the activities of the first one and is formed by the Risk Management Department, which carries out monitoring and reporting and is responsible for the risk levels assumed by the Group, independently controlling business lines.

The Third Line is the independent review of the first two lines and is performed by the Internal Audit Function. The evaluation and verification of the effectiveness of the Risk Control and Management Policies is carried out periodically by the second and third line. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

For the development of its functions, the Internal Audit and Risk Management departments have qualified and experienced personnel that is independent of the business lines. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal risk management and Control systems relating to the process of publishing Financial Reporting (ICFR) of the company.

F.1 The entity's control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Chairman and Executive Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the Financial Information Internal Control System, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the web site, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with lawfulness, quality, reputation, protection of human resources, the respect for and commitment to the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying a policy and procedure system to prevent the commission of material crimes as much as possible. Such Crime Prevention Manual has been updated and revised by the Board of Directors on 18 December 2018. The Manual will foreseeably be reviewed again in 2021. When any new version or development of the Handbook is approved, the appropriate dissemination and training measures are adopted.

With regard to training activities that began in 2016, the actions aimed to raise awareness, disseminate and implement the Manual on Crime Prevention among the CAF Group staff continued during 2020.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 93% of people have completed the programme. Since commencement of the programme, more than 5,600 people have been trained on this matter (2019: 4,762 people). More than 850 people received training in 2020. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are kept up-to-date.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential.

In order to channel general complaints and those relating to financial and accounting aspects, a single complaint channel is established which is supervised by the Compliance Committee or Unit. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. In case the Compliance Committee or Unit understands that the complaint deserves more attention, it may send the documentation to the relevant department with the objective of jointly assessing the facts and determining the measures to be taken.

The Compliance Committee reports to the Board of Directors, the Audit Committee or General Management, depending on the circumstances and nature of the purported infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel. Likewise, it reports relevant financial irregularities to the Audit Committee. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

The Manual also establishes the possibility of other means of receiving complaints being enabled in those jurisdictions where so required under local legislation.

In 2020 the general whistleblowing channel was opened to all of the company's stakeholders and any third party, allowing employees and others related to the company, such as directors, shareholders, suppliers, contractors and subcontractors, to report, at any time, possibly important irregularities, including financial or accounting irregularities, or those of any other type related to the company of which they become aware at any Group company.

The rules for the functioning of the of the aforementioned whistleblowing channel and the procedure for managing the offences or suspected offences that may have been disclosed are permanently available on the corporate website and encompass the verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) the CAF Group's Code of Conduct and any other breaches of internal rules or legislation regarding (ii) compliance, (iii) competition law, or (iv) market abuse and the handling of insider information.

The general whistleblowing channel accepts communications of all types and is always accessible through the Group's website in the main languages used at corporate level. The channel guarantees confidentiality and the aforementioned procedure envisages cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent. In particular, the aforementioned procedure reflects the CAF Group's commitment not to take any direct or indirect retaliatory measures against the professionals who have reported an irregular action that might be investigated, unless they have acted in bad faith.

No formal complaints were filed through CAF's general whistleblowing channel in 2020, although two internal investigations were carried out as a result of which the pertinent measures were adopted. Two complaints were received via the whistleblowing channel in 2019, and one more was received via an alternative channel.

Additionally, for situations such as discrimination, harassment, mobbing or safety at work, specific channels are established for the communication and treatment of any improper conduct that may occur in those areas.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements and webinars presented by experts on the matter are attended.

Also, it is important to underline that, when the financial statements are being prepared, an annual review is conducted of the recommendations issued each year by regulatory bodies such as the ESMA and the CNMV, which focuses on regulatory developments and areas of special attention based on the current economic backdrop.

With regard to learning programmes for CAF S.A.'s economic and financial subjects, in order to support the different businesses in fiscal year 2020, the main reference indicators of this activity have been as follows:

- Number of participants in the training actions on this matter: 409
- Number of training hours received: 1,334 hours

Apart from wide training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

F.2 Assessment of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

At least on a quarterly basis, the Financial Department receives the Group's company organisation chart from the Corporate Development Department, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Financial Department.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements.

- The governing body within the company that supervises the process.

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Financial Statements certification: The financial statements are certified by the Chairman and Managing Director and the Chief Financial Officer. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Billing and clients
- Inventories and Supplies (for every business unit)
- Investments

- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems.
- Promote the standardisation of the Systems
- Improve the satisfaction level of ICT systems
- Develop the ICT corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

- Information technology management
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-Party Management

It is also worth noting the implementation since fiscal year 2017 of an Information Security Management System (ISMS) in accordance with ISO 27001, which was certified in the spring of 2018 and updated in 2020 in the area of the information systems managed by Corporate Digital Management that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2020, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, S.A.'s Economic and Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.

The Manual is available on CAF's internal portal.

- F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR system

Every year a schedule is drawn up of the information required to prepare the financial information for the following fiscal year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Financial Department, through a web-based tool with consistent reporting formats which is used to gather the information supporting the consolidated financial statements, as well as the consolidated information in the financial statement notes and which is also used to roll up and consolidate the reported information.

CAF, S.A.'s Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

F.5 Supervision of the functioning of the system

Report on at least the following, describing their principal features:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as to oversee the proper internal controls risk management systems, including ICFR. Likewise, the Committee reviews that the information published on the Company's web site is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's web site.

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

Under the scope of the external audit, the Audit Committee holds meetings with the external auditors with regard to more significant aspects concerning the review of the financial statements and the findings of the audit work (which include, where appropriate, material aspects detected in the internal control area).

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the ICFR design and operation.

Each year, the Manager of Internal Audit presents the internal audit activities to the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee its assessments, weaknesses detected, action plans to correct them and recommendations for improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2020 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification of the main risks on financial information.
- Analytical review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review of the design and adequate performance of the main control activities involving fiscal year closing processes, consolidation and reporting, as well as a review of the main judgments and estimates.
- Review of financial reporting processes and of the main subsidiaries, as at risk turnover plan. That review includes relevant financial information risks.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and improvement recommendations.

F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2020, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

The external auditor reports to the Audit Committee the main weakness of the internal control detected, if any, over the course of the audit, assessing the possible effects on the financial information.

In 2020, external auditors have twice appeared before the Audit Committee during this financial year, and have met with the Board in the plenary session held on 17 December 2020.

F.6 Other relevant information

There is no other relevant information regarding the ICFR not included in this report.

F.7 External auditor's report

Report:

- F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor's report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies [] Explanation []

- 2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies [] Complies partially [] Explanation [] Not applicable []

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies Complies partially Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [] Complies partially [] Explanation []

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [] Complies partially [] Explanation []

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies [] Complies partially [] Explanation []

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [] Complies partially [] Explanation []

That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Articles 22 bis of the bylaws and Article 9 bis of the General Meeting Regulations allow the delegation of the power to vote and the ability to vote telematically.

With respect to telematic attendance and active telematic participation at the General Meeting, although the Recommendation refers to large cap companies and where proportionate, the Company proposes to amend the General Meeting Regulations, at the next General Meeting, to explicitly incorporate the possibility of telematically attending and actively participating in the General Meeting. For such purpose, in accordance with the provisions of the Transitional Provision of Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (CNMV), in where the circular 5/2013 of the 12 June is modified, which establishes model annual corporate governance reports for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, the Company's Board of Directors, at its meeting held on 17 December 2020, resolved to propose to the Annual General Meeting the related adaptation of the General Meeting Regulations. For its part, Article 22 bis of the existing bylaws already provides for this possibility, subject to the provisions of the General Meeting Regulations.

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies [] Complies partially [] Explanation []

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [] Complies partially [] Explanation []

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [] Complies partially [] Explanation [] Not applicable []

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [] Complies partially [] Explanation [] Not applicable []

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [] Complies partially [] Explanation []

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [] Explanation []

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [] Complies partially [] Explanation []

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [] Complies partially [] Explanation []

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

c) Complies [] Explanation []

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [] Explanation []

18. That companies should publish the following information on its directors on their website, and keep it up to date:

a) Professional profile and biography.

b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.

e) **Company shares and share options that they own.**

Complies] Complies partially] Explanation]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies] Complies partially] Explanation] Not applicable]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies] Complies partially] Explanation] Not applicable]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies] Explanation]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [X] Complies partially [] Explanation []

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [X] Complies partially [] Explanation [] Not applicable []

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [X] Complies partially [] Explanation [] Not applicable []

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [] Explanation []

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [] Explanation []

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [] Explanation []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [X] Complies partially [] Explanation [] Not applicable []

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [] Explanation []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [X] Explanation [] Not applicable []

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies partially [] Explanation []

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [] Explanation []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [] Explanation []

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies Complies partially Explanation Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies Explanation

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies Complies partially Explanation

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies Complies partially Explanation Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies partially Explanation Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [] Explanation []

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [] Explanation []

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [X] Complies partially [] Explanation [] Not applicable []

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following functions:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [X] Complies partially [] Explanation []

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X] Complies partially [] Explanation []

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [] Explanation [] Not applicable []

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [] Explanation []

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

- c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies [] Complies partially [] Explanation []

- 47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.**

Complies [] Complies partially [] Explanation []

- 48. That large-cap companies have separate nomination and remuneration committees.**

Complies [] Explanation [] Not applicable []

- 49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [] Complies partially [] Explanation []

- 50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**
- b) **Verifying compliance with the company's remuneration policy.**
- c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**
- d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**
- e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies [] Complies partially [] Explanation []

- 51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.**

Complies [] Complies partially [] Explanation []

- 52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:**

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**

b) That their chairpersons be independent directors.

c) That the Board of Directors selects members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discusses their proposals and reports; and requires them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies [X] Complies partially [] Explanation []

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X] Complies partially [] Explanation []

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [] Explanation []

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct

- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies Explanation

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies Complies partially Explanation

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies Complies partially Explain Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies] Complies partially] Explanation] Not applicable]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies] Complies partially] Explanation] Not applicable]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies] Complies partially] Explanation] Not applicable]

No variable remuneration was earned in 2020. In any case, the Company's Remuneration Policy, does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments referred to their value in 2020.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies] Complies partially] Explanation] Not applicable]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies] Complies partially] Explanation] Not applicable]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the

company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [X] Complies partially [] Explanation [] Not applicable []

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

In 2020 CAF, S.A. completed the formalities required to join the United Nations Global Compact, confirming its commitment to the ten principles of the Global Compact which stem from the United Nations' declarations on human rights, employment, the environment and the fight against corruption and enjoy a universal consensus.

A.3. As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSE ARRIETA SUPUDE 0.003% and 30,605,037H ANE AGIRRE ROMARATE % 0.002. TOTAL 0.005%.

C.1.5

• Age:

The existence of directors of a variety of ages shall be valued, so that this difference may serve to contribute a variety of opinions and different approaches in debates regarding the issues that must be analysed and agreed upon by the Board of Directors.

• Disability:

Disability will not be used as a bias that could implicate discrimination in the selection of Directors.

• Gender:

In the process for selecting directors, gender diversity will be taken into account to ensure a balanced presence of men and women on the Board of Directors.

In this regard, the policy promotes the objective that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

In 2020 the shareholders at the Annual General Meeting approved the appointment of two proprietary directors, as well as the re-election of a female independent director and of a female executive director, with the number of directors being eleven. In all cases, strict compliance with the 12 November 2018 version of CAF's Director Diversity and Selection Policy, which was in force at 2020 year-end, was observed, and the Nomination and Remuneration Committee stated this fact in its annual report on compliance with the policy in December 2020.

As a result of these aforementioned appointments, the diversity and balance of the composition of the Board of Directors has been enhanced from the standpoint, among others, of the profiles of its members, who contribute a wide range of skills and knowledge in areas of great value for the Company, and a significant level of independent directors was maintained (exceeding 45% of the total).

With respect to the promotion of gender diversity, it is noteworthy that since 2017 CAF has continuously complied with the target originally established for 2020 in Recommendation 14 of the Spanish Code of Good Governance for Listed Companies (CBGSC) whereby at least 30% of the members of the Board of Directors should be female.

Following the resolutions adopted by the Annual General Meeting held in 2020, the number of female directors increased to four, which means that women represent 36.36% of the total Board members, which is very close to the 40% level which Recommendation 14 has set as the target to be achieved in 2022.

C.1.16

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the company or its group, their significant shareholders or senior executives. Individuals may not in any case be considered to be independent directors if: a) they have been employees or executive directors of Group companies, unless either three or five years, respectively, have elapsed since the termination of such a relationship; b) they receive from the Company, or from the Group to which it belongs, any payment or benefit other than director remuneration, unless such an amount or benefit is insignificant. For the purposes of the provisions of this section, dividends or pension supplements received by the Board members for their previous professional or working relationships shall not be taken into consideration, provided that such supplements are unconditional and, consequently, the company paying them cannot suspend, modify or revoke their payment at its own discretion without there being a breach of obligations. c) in the last three years, they have been partners of the external auditor or responsible for the auditor's report prepared on the company or on any other Group company during that three-year period; d) they are executive directors or senior executives of another company where an executive director or senior executive of the company is a non-executive director; e) they have material business dealings with the company or any company of its Group or have had such dealings in the preceding year, either on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings. Relationships with suppliers of goods or services, including financial services, and with advisors or consultants shall be considered to be business relationships. f) they are significant shareholders, executive directors or senior executives of an entity that receives or has received in the last three years significant donations from the company or its Group; This definition excludes those who are merely trustees of a foundation receiving donations. g) they are spouses or partners with an analogous affective relationship or relatives up to the second degree of kinship of one of the company's executive directors or senior executives. h) they have not been proposed for appointment or re-election by the Nomination Committee. i) they have held office as directors for a continuous period of more than twelve years. j) they are in any of the situations indicated in points a), e), f) or g) above in relation to a significant shareholder or entity represented on the Board. In the case of the family relations indicated in point g), the restriction shall apply not only in connection with the shareholder but also with the proprietary directors of the investee. Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties. Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the aforementioned article and, in addition, their ownership interest is not material (Art. 16 of the Board of Director Regulations).

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Article 30 of the Company Bylaws).

The Nomination and Remuneration Committee holds certain powers in relation to the appointment, evaluation and removal of directors, which are detailed in its regulations. The most noteworthy powers are as follows: The basic responsibilities of the Nomination and Remuneration Committee should be to: 1.- Evaluate 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, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively. 2.- Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal. 3.- Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. 4.- Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposed appointment of the Chair of the Board of Directors and of the Secretary, and of the Deputy Chairs, where applicable. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8.- Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts. 9.- Examine and organise the succession of the Chair and the chief executive of the Company and, if applicable, submit proposals to the Board of Directors in order to ensure a smooth and well-planned handover, periodically preparing and reviewing a succession plan for such purpose. 10.- Issue a report prior to the Board reprimanding a director for the infringement of their obligations as a director. 11.- Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties. 12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists, and 18.- Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. (Art. 3 of the Nomination and Remuneration Committee Regulations).

In relation to the removal of directors, the Board Regulations also provide for certain special rules: The removal of the directors shall take place as defined in the terms of the legislation applicable at any given time. Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, specifically, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce their stakes to a level that requires a reduction in the number of proprietary directors; b) if they are subject to any of the grounds for conflict of interest or prohibition provided for in law; c) if they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement; d) if they are seriously

reprimanded by the Board of Directors following a report from the Nomination and Remuneration Committee for having breached their obligations as Directors; e) if they find themselves in a conflict of interest situation and fail to comply with their reporting and abstention duties; and f) if they breach the non-compete obligation. The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Board Regulations).

Also, the Director Diversity and Selection Policy, amended by the Board of Directors of CAF at the meeting held on 17 December 2020, reiterates the functions pertaining to the Nomination and Remuneration Committee in the director selection process, as well as the terms of its participation in that process, as described above, and the conditions candidates must fulfil, placing special emphasis on the fundamental objective to promote diversity in terms of knowledge, experience, age and gender among Board members, applying criteria that ensure the existence of sufficient diversity in the composition of the Board and a lack of implicit bias that could amount to discrimination on grounds of age, gender, disability or any other personal characteristic, in line with Recommendation 14 of the Spanish Good Governance Code of Listed Companies and Articles 529 bis and 529 quidecies of the Spanish Limited Liability Companies Law.

C.2.1.

AUDIT COMMITTEE

viii. Supervise application of the general policy relating to communication of economic and financial, non-financial and corporate information, and to communication with shareholders and investors, voting advisers and other stakeholders. Also, the way in which the Company communicates and interacts with small and medium shareholders will be monitored. ix. Carry out reviews to ensure that the financial information published on the Company's corporate website is constantly updated and corresponds to the information approved or prepared by the Board of Directors and published on the Spanish National Securities Market Commission (CNMV) website. If, following the review, the Committee is not satisfied in relation to any issue, it shall notify the Board of its opinion. c) In relation to the internal audit: i. Supervise the Company's internal audit. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. ii. Ensure the independence of the unit that discharges the internal audit function, which shall report to the chair of the Committee or the non-executive chair of the Board. iii. Propose the selection, appointment and removal of the head of the internal audit service; iv. Propose the Internal Audit Department's budget. v. Approve the work plans and methods of Internal Audit, ensuring that its activity focuses primarily on significant risks (including reputational risks). vi. Receive regular information on the execution of the annual plan and other activities carried out, including possible incidents and scope limitations arising in the course of the work, the outcome and follow-up of its recommendations, and an activities report at the end of each reporting period. vii. Verify that senior executives take into account the conclusions and recommendations of its reports. viii. Assess the functioning of Internal Audit and the performance of the head of the unit. d) In relation to the external auditor: i. Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process within the meaning of Articles 16.2, 16.3, 16.5 and 17.5 of Regulation (EU) No 537/2014, of 16 April, and the terms and conditions of the engagement. ii. Obtain information regularly on the audit plan and the execution thereof. iii. Discuss with the auditor the significant weaknesses in the internal control system disclosed in the performance of the audit, all of which should be performed without compromising its independence. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. iv. Preserve its independence when exercising its functions, in particular for that purpose: Establish the pertinent relationships with the external auditors in order to receive information on any matters that might threaten their independence, for analysis by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015, of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the foregoing point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence and establish an indicative limit on the fees that the auditor may receive annually for services other than auditing. v. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and changes in the company's accounting situation and risks; and vi. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. vii. Investigate the circumstances giving rise to the resignation of any external auditor. viii. Supervise that the company reports any change of auditors through the CNMV, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them. ix. Carry out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. The provisions of the foregoing sections iv. to viii. shall be deemed to be without prejudice to the applicable audit regulations. e) Other functions: i. Inform the Board of Directors in advance of all matters contemplated in the law, the Company Bylaws and the Board Regulations, and in particular on: the financial information that the company must periodically make public; the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and transactions with related parties. ii. Issue a report on any transactions that the Company or Group companies may perform with directors, under the terms of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders

represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related to them. It will not be necessary to issue the above report on any transactions that have all the following characteristics: they are performed under agreements with standardised terms and conditions and applied en masse to a large number of customers; they are executed at general prices or rates established by the supplier of the goods or services concerned; and their amount does not exceed 1% of the Company's annual revenue. ii. Be informed of the structural and corporate changes expected to be made by the Company for analysis and reporting, prior to the Board of Directors meeting, on their economic conditions and the accounting impact of the transactions and, especially, as appropriate, on the proposed exchange ratio. iii. Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. iv. Approve an annual work plan that envisages, among other matters, the annual timetable of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. v. Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, with an annual assessment report on its performance. vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year. vii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors. (Article 3 of the Audit Committee Regulations).

Similarly, the Audit Committee holds the following powers: 1.- In order to perform its functions the Audit Committee shall have full powers to access any kind of information, documentation or records it considers necessary for such purpose. 2.- The Audit Committee may request the Board of Directors to engage external advisory services in matters of particular significance when it considers that the company's own experts or technical specialists, or those of group companies, are unable to provide these services adequately or with the necessary independence. 3.- In addition, the Audit Committee may request at any time the personal involvement or reports of any member of the company's and/or Group companies' management teams whenever it deems that they are necessary or advisable for the performance of the Committee's functions, as well as their attendance, following invitation by the Chair of the Committee, at the meetings, only to discuss the specific points on the agenda in relation to which they were invited. Also, it should be ensured that this presence does not become common practice so that such attendance only occurs when necessary (Art. 10 of the Audit Committee Regulations).

Functioning:

The Audit Committee shall meet whenever the Chairman deems it appropriate so that it may perform its functions. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. The Committee shall also meet when requested to do so by the Board of Directors (Art. 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of distance communication, providing that the identity and participation of the attendees can be guaranteed in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In any case, the Chair of the Committee, through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Art. 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Art. 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Power of representation may only be granted to another director who is a member of the Committee. The positions of Chair and Secretary of the Committee shall be held by those appointed to these positions. In the event of incapacity or absence, the Chair shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Art. 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be available to all of the members of the Board of Directors (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2020 may be grouped into the following areas:

i. Financial and non-financial reporting and internal control mechanism activities:

- Examination, prior to their submission for authorisation for issue by the Board of Directors, of the separate and consolidated financial statements and the directors' reports of CAF, S.A. and the CAF Group, respectively, for the 2019 reporting period; The Directors' Report includes the Non-Financial Information Statement that contains the information on non-financial indicators relating to environmental activity, social matters, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery.
- Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly separate and consolidated financial statements;
- Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.

ii. Related-party transaction activities.

Review of the related-party transactions performed by the Company and those scheduled for the following year, verifying whether they should be submitted for approval by the Board.

iii. Activities relating to the sustainability policy and the terms of execution thereof in the year

The sustainability activities are attributed by the Board to the Nomination and Remuneration Committee, without prejudice to the verification by the Audit Committee of the information in this connection disclosed in the directors' report that accompanies the separate and consolidated financial statements of CAF, S.A. and the CAF Group, respectively.

iv. Risk management and control activities

- Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.

- Supervision of the Risk Management Unit. Participation of its head in the Committee meetings, to report on the main risks and contingencies affecting the Company and its Group. In this connection:

- Monitoring of the Unit's Activities Plan.

- Periodic supervision of the assurance map.

- Supervision of the risk management models implemented by the Company in relation to the various Businesses and Projects.

- The evaluation of all the company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

v. Internal audit-related activities:

The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company's internal audit area. In

addition to the activities in the preceding paragraph, the Audit Committee performed the following actions:

- Review of the Annual Report on Internal Audit Activities for 2019.

- Approval of the Internal Audit Work Plan for 2020 including.

- Review of the published information (quarterly financial statements, statutory financial statements, and directors' report);

- Quarterly monitoring of the main financial and tax risks.

- Audit work rotation plan based on the criticality of the work;

- Monitoring of recommendations.

- Monitoring of the execution of the Internal Audit Work Plan over the year.

- Evaluation of the functioning of Internal Audit and the performance of the head thereof.

vi. External auditor-related activities:

- Analysis of the external auditor's reports on the Company's separate and consolidated financial statements for 2019.

- Analysis of the limited review report on the half-yearly financial statements for 2020.

- Request for written confirmation of independence issued by the auditor and preparation of the Report on the Auditor's Independence, in relation to the audit of the 2019 financial statements.

- Establishment of limits and criteria for the non-audit services and approval of the budget for non-audit services for 2021.

- Analysis, together with the external auditor of the main incidents detected during the audit, verifying that they were remedied, and the risks detected were addressed.

- Evaluation of the external auditor's conduct.

- Joint monitoring of the transition plan between the current auditor, Deloitte, and EY, the auditor appointed for 2021, 2022 and 2023.

vii. Activities regarding financing:

- Analysis of a commercial paper issue programme on the Spanish Alternative Fixed-Income Market (MARF), to replace the ECP Programme registered in Ireland, from its expiry in December 2020, and proposal for approval by the Board of Directors.

viii. Audit Committee action plan monitoring activities:

During the current year, the Audit Committee monitored, on an ongoing basis, the action plans for 2020 proposed in the report on the annual assessment of its performance, approved at its meeting held on 17 December 2019, and stated that they had all been complied with.

ix. Other activities

- Analysis of potential strategic corporate transactions envisaged by the Company, for their approval by the Board of Directors.

- Approval of the report on the functioning of the Audit Committee for 2019.

- Supervision of the activities of the Company's internal Tax Department, in charge of the control and management of the Group's tax risks, with regular reporting on the situation of the various phases of the work in that area, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.

- Supervision of the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- Proposal to amend the Policy on communication and contact with shareholders, institutional investors and voting advisers.
- Proposal to amend the Audit Committee Regulations.
- Approval of an annual audit plan for 2021 including the annual schedule for Committee meetings with the external auditors.
- Preparation of the Report on the Annual Performance Assessment in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies.
- Supervision of the exposure to foreign currency risk.

NOMINATION AND REMUNERATION COMMITTEE

12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists. 13.- Make proposals to the Board of Directors regarding the remuneration policy for directors and general managers or those who discharge senior executive functions reporting directly to the Board, executive committees or chief executives, and regarding individual remuneration and the other contractual conditions of the executive directors, ensuring compliance therewith. 14.- Review the remuneration policy applied to directors and senior executives on a regular basis, including share-based remuneration systems and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company. 15.- Ensure that possible conflicts of interest do not infringe upon the independence of the external advisory services provided to the Committee. 16.- Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors. In relation to the Corporate Governance and Sustainability System: 17.- Supervise compliance with the Company's corporate governance rules, also ensuring that the corporate culture is in line with the Company's purpose and values. 18.-Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. 19.- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy, so that they fulfil the mission to promote the corporate interest, and they should take into account, as applicable, the legitimate interests of the other stakeholders. 20.- Oversee that the Company's environmental and corporate practices are in line with the established strategy and policy; and 21.- Supervise and evaluate the processes for interacting with the various stakeholders. In relation to other matters: 22.- Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. 23.- Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, an annual assessment report on the functioning and activities of the Committee in the previous year and an annual assessment report on the performance of the Board of Directors. 24.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year. 25.- Review whether the information on the experience and professional careers of the Company's directors included on the corporate website is sufficient and appropriate and follows the recommendations of the Spanish Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission (CNMV). 26.- Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. 27.- Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors.

Functioning:

The rules on the functioning of this committee are provided for in Article 12 of the Board of Directors Regulations and in Chapter V of the Nomination and Remuneration Committee Regulations, and can be summarised as follows:

The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.

The call notices shall be communicated to each of the members by the Secretary of the Committee, according to the Chair's instructions, with at least five days' notice, by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chair of the Committee, by itself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

The Committee shall be deemed to be convened when more than half of its members attend and adopt its resolutions by absolute majority, either in person or by proxy. Representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. In addition, committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting, and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

The main activities performed by the Committee in 2020 may be grouped into the following areas:

a. Appointment activities.

- Presentation to the Board for submission to the General Meeting of the proposal for the re-election of a female independent director, as well as the preliminary reports for the re-election of a female executive director and for the appointment of two proprietary directors. The aforementioned documents were made available to the shareholders on the corporate website when the call notice of the General

Meeting was issued.

- Presentation to the Board of the proposed changes in the composition of the Committee, consisting of the appointment of Ms Ane Agirre Romarate as Chair and Mr Julián Gracia Palacín as a new member of the Committee, and the proposed appointment of Mr Javier Martínez Ojinaga as new Coordinating Director.
- Review of the matrix of the Board's competencies in order to update its content, in view of the latest changes in the composition of the Board.
- Presentation to the Board of the proposed modification of the Director Diversity and Selection Policy, in order to adapt it to the modifications introduced in the Code of Good Governance in June 2020 and introduction of other technical improvements.

b. Remuneration activities:

- Submission of the proposed Directors' Remuneration Report for 2019 to the Board of Directors.
- Proposal to the Board of Directors regarding remuneration for the Executive Committee and for the Directors, applicable to 2020, and presentation of a new proposal due to the circumstances that transpired a result of the COVID-19 pandemic.
- Presentation to the Board of Directors of the proposed new Director Remuneration Policy, applicable to 2021, 2022 and 2023, for its submission for approval by the shareholders at the Annual General Meeting.

c. Corporate Governance and Sustainability activities:

- Review of the Corporate Social Responsibility Report for 2019, for its approval by the Board of Directors.
- Review of the Modern Slavery Declaration (UK) relating to 2019, for its approval by the Board of Directors.
- Supervision of the process for reporting the non-financial information and information on diversity contained in the Non-Financial Information Statement for 2019.
- Supervision of the Company's environmental and social practices to verify that they are in line with the established strategy and policy, with attendance of the head of Company's Corporate Social Responsibility Forum at the Committee meeting.
- Presentation to the Board of Directors of the proposed new Sustainability Policy, to replace the 2015 Corporate Social Responsibility Policy.
- Supervision and evaluation of the corporate governance system in the context of the functions attributed to the Committee in sections 17 and 19 of Article 3 of its Regulations.

d. Other activities

- Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations, in order to include the developments arising from the review of the Code of Good Governance and other technical improvements.
 - Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2019.
 - Proposal of the appointment of the external valuer for 2020, following verification of the valuer's independence.
 - Preparation of the Report on the Annual Performance Assessment, in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies, with the scope detailed in the following section 7.
 - Analysis of the situation concerning insurance policies in force covering directors and senior executives, and of the annual renewal plan for those policies.
 - Annual assessment of compliance with the Diversity and Director Selection Policy.
- Approval of the Activities Plan for 2021.

e. Nomination and Remuneration Committee action plan monitoring activities.

Throughout 2020, the Committee monitored the action plans for that year, proposed in the annual self-assessment report, approved by the Committee at its meeting on 17 December 2019, verifying that they were complied with satisfactorily.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

Indicate whether any director voted against or abstained from approving this report.

- [] Yes
[✓] No

**Construcciones y Auxiliar
de Ferrocarriles, S.A. and
Subsidiaries composing
the CAF Group
(Consolidated)**

Auditor's Report on the Information
relating to the system of internal control
over financial reporting (ICFR) for the year
ended 31 December 2020

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE CAF GROUP") FOR THE YEAR ENDED 31 DECEMBER 2020

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.:

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 13 November 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2020, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "*Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2020 described in the Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report, as established in Circular no. 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent modifications, being the most recent the Circular 1/2020 of the National Securities Market Commission dated October 6 ("the Circulars of the NSMC").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and "the Circulars of the NSMC", for the purposes of the description of the ICFR system in annual corporate governance reports.

DELOITTE, S.L.



Pablo Mugica

25 February 2021