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# **Corporate Social Responsibility Report 2019**





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# 1

## WHAT CORPORATE SOCIAL RESPONSIBILITY MEANS TO US

*“The policy defines the principles and commitments that CAF promotes in its activities and in the societies integrated in its Group, reconciling the development of its mission with the interests of the surrounding community and of the different interest groups, in a long-term sustained manner.”*

*CAF's Corporate Social Responsibility Policy*

*December 29, 2015*

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### 1.1

Overview of CAF and Corporate Social Responsibility

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## 1.1 CAF's Global Vision and Corporate Social Responsibility

[102-16, 102-49]

Due to its commitment to sustainability and the development of the communities where it operates, the CAF Group (hereinafter CAF) approved its Corporate Social Responsibility (CSR) Policy in 2015, based on the recommendations in the Good Governance Code of Listed Companies of the Spanish National Securities Market Commission (CNMV). This policy, available on the website, defines the principles and commitments that the organization promotes in the development of its activities, taking into account the interests and concerns of its stakeholders with the aim of sustainable profitability over time.

CAF's CSR Policy was approved by the Board of Directors of the parent company, Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter, CAF, S.A.) which, in turn, is responsible for establishing the necessary mechanisms for monitoring and enforcing compliance with the policy. Furthermore, according to the document itself, the Board of Directors is responsible for monitoring and enforcing compliance with the policy, and it may delegate such functions to other bodies, at its discretion. The drafting of this report has been led and coordinated by the Human Resources Department and reviewed by the Appointments and Remuneration Committee, for subsequent approval by the Board of Directors.

The CSR Policy establishes 8 principles of action:

1	Establishing preventive measures to ensure strict compliance with the current legislation
2	Monitoring of good governance practices
3	Scrupulous respect for fundamental rights
4	Confidentiality and transparency
5	Responsible communication practices
6	Fulfillment of tax responsibilities
7	Commitment to innovation and sustainability
8	Commitment to the environment

CAF is continuing to take steps to strengthen and consolidate the work done to meet the objectives set in the CSR Policy, which are promoted through the CSR Forum. This forum consists of a multidisciplinary, representative team of people from the areas with the biggest impact on CSR, and they are responsible for ensuring the fulfillment of the commitments and monitoring Corporate Social Responsibility activities, under the coordination of the HR Department. The main responsibility of each member of the forum is to ensure the fulfillment of the activities relating to corporate social responsibilities with a corporate scope in their respective areas of expertise. Thus, they are appointed as the leader and point of contact on this matter in the areas under their responsibility and the representative for these areas within the forum. Additionally, the members are responsible for reporting to the forum on any important aspects in this regard that require a shared vision to be established and informing the governing and/or decision-making bodies of any important matters in this regard. Thus, the forum assesses any matters raised in it and may make recommendations regarding their merits and the most appropriate way if dealing with them.

During the 2019 financial year, CAF continued to improve its process management in accordance with its growing sensitivity to environmental and social issues, as well as the increased requirements of the stakeholders in the different activities.

During this period, it is worth highlighting the systemization of the Corporate Social Responsibility activities that we carry out, to ensure compliance with the necessary reference standards, with the regulatory requirements and with our clients' requirements. The work carried out in the following areas of activity is also notable:

- Moving forward in the improvement of corporate social responsibility management, the necessary activities have been carried out to ensure compliance with the guidelines set out in the ISO 26000:2012 standard, which has made it possible to obtain a positive third-party declaration for the activity of Rail Services in 2019. Thanks to this milestone and together with the previous positive statements issued for the Vehicles and Miira activities, all the activities developed by the parent company were achieved.
- Following CAF's public adhesion to Railsponsible, progress has been made in deploying the commitments made in the supply chain by integrating the promotion of this issue in purchasing management.
- Drafting of the CSR Report for all the activities of the CAF Group, following the information requirements and recommendations of the GRI Standards developed by the *Global Reporting Initiative* (GRI), as well as the new regulation regarding the preparation of Non-Financial Information Statements (Law 11/2018, December 28).
- Progress is being made in the external evaluation of Ecovadis in the CAF Group's activities as a whole in order to respond to market and client demands and as a tool for improvement. During 2019, the evaluations of both the main company, CAF, S.A. and CAF Signaling and CAF P&A were carried out. The former obtained a positive result, obtaining a Gold rating, and for the subsidiaries it was their first evaluation during the period. Likewise, the corporate evaluation of the CAF Group has been updated, and the result has been maintained.
- The CSR Forum has reflected on the main Sustainable Development Goals (SDGs) to which CAF contributes with its activity, the result of which is detailed in this chapter.



For the upcoming period, the main objective is to continue making progress in the deployment of policies, developing activities aligned with the commitments to the various stakeholders and improving the collection and traceability of CSR content to respond to the regulatory framework, GRI standards and CSR policy.

CAF's Mission reflects the added value in sustainable mobility of the Group's integral transport systems, and in line with the Mission, the Vision refers to the Group's integral offer to respond to the new social needs of sustainable mobility.

## MISSION

*Adopted by the Executive Committee on December 23, 2016*

We are a multinational group with over 100 years of experience in the supply of comprehensive transit solutions positioned at the forefront of technology for high value added sustainable mobility.

A go-to company in the railway sector, we offer our clients one of the widest and most flexible product ranges on the market in rolling stock, components, infrastructures, signaling and services (upkeep, refurbishment and financing).

The commitment of the people that make up CAF, together with the cooperation of our partners, contributes to increasing our Clients' satisfaction and to generating value for our Shareholders.

## VISION

*Adopted by the Executive Committee on December 23, 2016*

Based on our technical and human potential, we will grow in the railway sector, establishing our presence in the largest and most demanding global markets.

We will increase and diversify our comprehensive transport offer beyond rail, responding to the new social needs of sustainable mobility.

Thanks to the culture that is shared by all the people that make up CAF, we will meet the needs of our stakeholders in a balanced manner.

Similarly, the corporate values applicable to all the Group's activities reflect the commitment to the principles set out in the CSR Policy and make them more present on a day-to-day basis.

Honesty & Integrity	To act correctly and in accordance with the regulations.
Responsibility and Commitment	Taking charge of things and fulfilling commitments.
Results and Perseverance	Providing solutions to situations that arise and establishing actions for doing so. Achieving what one sets out to do and overcoming any difficulties that might arise.
Excellence & Learning	Doing things right, improving the activity and providing new solutions. Being open to learning and undertaking new activities.
Cooperation and Teamwork	Working with others provides greater value.

## 1.2 Our relationship with our stakeholders

[102-40, 102-42, 102-43, 102-44]

The stakeholders who are at the center of CAF's strategy are as follows:



The first time that CAF's stakeholders were formally identified was when we established our Code of Conduct in 2011, with the materiality assessment performed in 2016 confirming their validity.

Along these lines, the CAF Group's management model (MGCAF) was developed this year, consisting of 7 elements, including the 5 Stakeholders. This model includes the CAF Group's Management Strategy which, together with the business strategy, complements the Group's overall strategic framework.

CAF's objective is to build a trusting relationship with the stakeholders. For this purpose, CAF promotes continuous and effective communication with its stakeholders through the following channels of communication, with the aim of boosting their involvement and engagement in our corporate activities and in those areas affected by our activities.

Stakeholders	Channels of communication
Shareholders <sup>1</sup>	<ul style="list-style-type: none"> <li>- Shareholder and Investor Information Office</li> <li>- CNMV statements</li> <li>- General Shareholders' Meeting</li> <li>- Regular briefings</li> <li>- CAF's website</li> </ul>
Clients	<ul style="list-style-type: none"> <li>- Meetings with potential clients</li> <li>- Meetings with project clients</li> <li>- Client audits</li> <li>- Audits of the Quality and Safety Management System</li> <li>- CAF's website</li> <li>- Client satisfaction surveys</li> </ul>
Employee	<ul style="list-style-type: none"> <li>- CAF portal</li> <li>- Internal channel</li> <li>- Direct communication</li> <li>- Union representation</li> <li>- Corporate magazine</li> <li>- Whistleblowing channel</li> <li>- CAF's website</li> <li>- Organizational Health Survey</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Suppliers' portal</li> <li>- CAF's website</li> <li>- Supplier audits</li> <li>- Supplier Satisfaction Surveys</li> </ul>
Community	<ul style="list-style-type: none"> <li>- CAF's website</li> <li>- Direct interaction with the public authorities</li> <li>- Participation in forums and associations</li> <li>- CSR Report</li> </ul>

These channels are essential to learn about the concerns and interests of each stakeholder with regards to CSR, and they play a key role in defining CAF's strategies and measures in this regard. To this end, in 2019, the communication process with stakeholders was systematized by reviewing and updating the communication channels for capturing information from stakeholders, defining relevant KPIs for each of them, processing and establishing action plans in this regard, and subsequent communication through the aforementioned communication channels.

In this continuous work of promoting open dialog through various actions, the following are noteworthy in 2019:

- The improvements in the customer satisfaction survey launched last year are already a reality from which the first conclusions for improvement are already being drawn. Along the same line, the first results have been obtained in the supplier field.
- Throughout 2019, we continued to extend organizational health studies in the different activities and locations of the Group. The launch of this perception study among the Group's employees is included in the definition and deployment of the new corporate people process started in 2018. The first edition is expected to close in the defined perimeter in the first quarter of 2020.
- Progress is expected in the shareholder service office which, together with the other communication elements with stakeholders, has been integrated into the process of defining and deploying the strategy. The incorporation of these activities into process management has led to sustained progress in this area.

<sup>1</sup> The information regarding Shareholders is included in the CAF Annual Corporate Governance Report, available on the corporate website

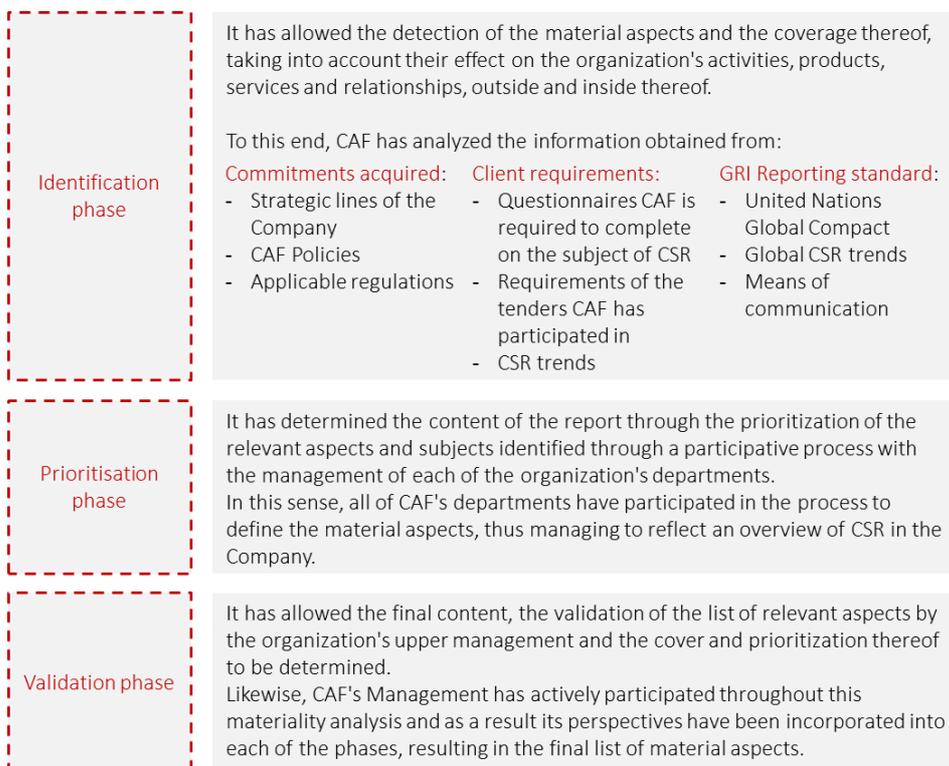
### 1.3. Materiality

[102-46, 102-47.103]

With regard to CAF and the sectors where it operates, there are numerous economic, environmental and social factors involved in defining the strategy and commitments for the Group's CSR. CAF's CSR Policy defines how the company acts with regard to those factors, with a focus on sustainable development.

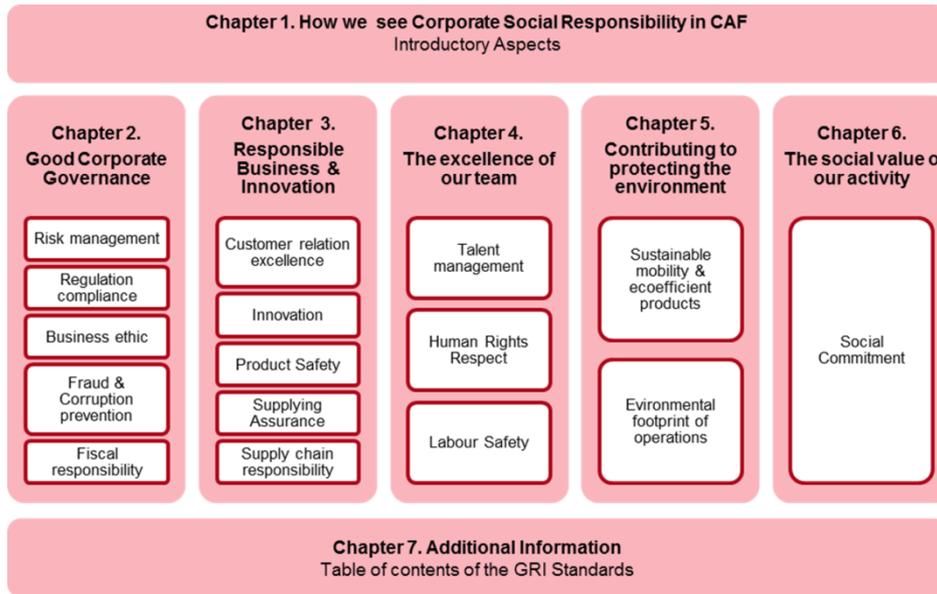
This CSR report has been prepared based on the expectations and requirements of the stakeholders identified in that Policy, with particular focus on the issues that are most important to them and those that have the greatest impact on the Group's strategy.

To this end, coinciding with the strategic cycle, in 2016 CAF developed a CSR Materiality analysis from internal and external information sources, following the guidelines defined by the *Global Reporting Initiative* (GRI) standard through the following phases:



This result of this analysis continues to be valid and has been confirmed after the assessment performed in accordance with the CSR guidelines outlined in standard ISO 26000:2012.

As a result of the materiality assessment, 16 important aspects of CSR were defined for CAF and its stakeholders. This report contains detailed information about the significant impacts relating to each of them, as shown in the following table:



The information contained in this Corporate Social Responsibility Report for 2018 is presented for comparative purposes together with the information for 2019. None of the indicators presented in this Corporate Social Responsibility Report for comparative purposes differ from those formulated in the Corporate Social Responsibility Report for 2018.

For more information on these material aspects, in addition to others linked to CSR in CAF, in chapter "7. Additional information" includes the table of contents of the GRI standard in the essential modality, which is the standard taken as a reference for preparing this Report.

## 1.4 Sustainable Development Goals

On September 25, 2015, the United Nations General Assembly unanimously approved the 2030 Agenda for Sustainable Development, which includes the 17 Sustainable Development Goals (hereinafter referred to as SDGs). These goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of people everywhere.

Based on the analysis of current materiality and considering the strategic reflection of the main associated Railsponsible challenges and SDGs, in 2019 the CSR forum carried out an internal reflection that resulted in the identification of the SDGs to which CAF contributes most with its activity, in line with the Railsponsible proposal.



### Environmental Focus

#### Promoting sustainable mobility

- Development and continuous research in the offer of products and services to respond to the global trend of increasing mobility, climate change and the limitation of fossil fuels.
- Design of more ecological means of transport, with less noise emissions, which consume less energy in use and generate less pollution.
- Participation with the network of national and international innovation-oriented associations.

More information in chapters 3.3. and 5.1.



#### Reducing the environmental footprint of operations

- Development of strategies against Climate Change by increasing energy consumption and promoting energy efficiency.
- Efficient management of natural resources in production.
- Reduction, reuse and recycling of the produced waste.

More information in chapter 5.2.



#### Promoting Responsible Purchasing

- Sustainability commitment requirements set out in the Supplier Code of Conduct.
- Requirement of compliance with regulations and standards relating to the management of chemical substances and mixtures.
- Evaluation of supplier CSR management
- Participation in the sectoral initiative Railsponsible for the development of sustainable practices along the value chain of the railway industry
- Employee training and awareness of sustainability issues.
- Development of small and medium size local suppliers.

### Social and Ethical Focus

#### Professional development and business ethics

- Commitment to scrupulous respect for fundamental rights, equal treatment and non-discrimination.
- Promotion of high standards of professional ethics, prevention of fraud and corruption and respect for competition law
- Implementation of policies for the development of people and health and safety at work, shared among all the Group's activities in the different geographical areas

More information in chapters 2. and 4.



#### Contribution to society

- Economic promotion of the environment through the hiring of local workers and suppliers
- Supply of products and services in accordance with high quality and safety standards for customers and users
- Support for entrepreneurship, through collaboration with start-ups and entrepreneurs through the implementation of open innovation projects and investment.

More information in chapter 6.



More information in chapter 3.4.



# 2

## GOOD CORPORATE GOVERNANCE

*“One of CAF's principles of action in the area of corporate social responsibility is the “monitoring of good governance practices in general and in particular those set out in CAF's current Code of Conduct, which regulates the behavior of the organization's professionals and their collaborators and the mechanisms for supervising and controlling such behavior.”*

*CAF's Corporate Social Responsibility Policy*

*December 29, 2015*

### 2.1

Corporate Governance System and Regulatory Compliance

### 2.2

Risk management

### 2.3

Business ethics, fraud and corruption prevention and respect for competition law

### 2.4

Tax responsibilities

## 2.1 Corporate Governance System and Regulatory Compliance

[102-22, 102-24, 102-25, 102-30, MA<sup>2</sup> 418, MA 419]

The CAF Group conducts its business bearing in mind the importance of proper and transparent management as an essential factor for creating value, improving financial efficiency and building the trust of its shareholders and investors, all of which is implemented through a Corporate Governance System based on the concept of “Good Corporate Governance”.

This Corporate Governance System is underpinned by our commitment to ethical principles, good practices and transparency, based around protecting social interests and creating sustainable value for CAF’s stakeholders, while also enabling those principles and good practices to be extended throughout the CAF Group’s Internal Regulatory System, as defined below.

CAF’s Corporate Governance System is composed of the principles and standards that govern the design, integration and functioning of the Governing Bodies, and their relationship with the company’s stakeholders.

With regard to the Governing Bodies, how they are defined and their composition, under the aforementioned regulatory framework, we distinguish between: (i) the company’s corporate governance bodies (General Shareholders’ Meeting and Board of Directors of the CAF Group’s parent company) which adopts the decisions that fall within the remit of the top governance and decision-making bodies; and (ii) the management bodies (the management team as a whole) that is responsible for the day-to-day running of the company which, in any event, must be in line with the general policies and strategies established by the Board of Directors.

This allows the adoption and maintenance of an Internal Regulatory System in which ethics and sustainability preside over and mark all the Group’s activity, in order to promote the achievement of its business objectives, complying with legal obligations, but also applying widely recognized good practice standards.

For this purpose, CAF incorporates the related principles and good practices both locally and globally, integrating them into its business, both in the internal rules within its regulatory framework and on an organic level, with the composition and distribution of the functions of its governing bodies, and at an operational level, by integrating them into its systems and processes.

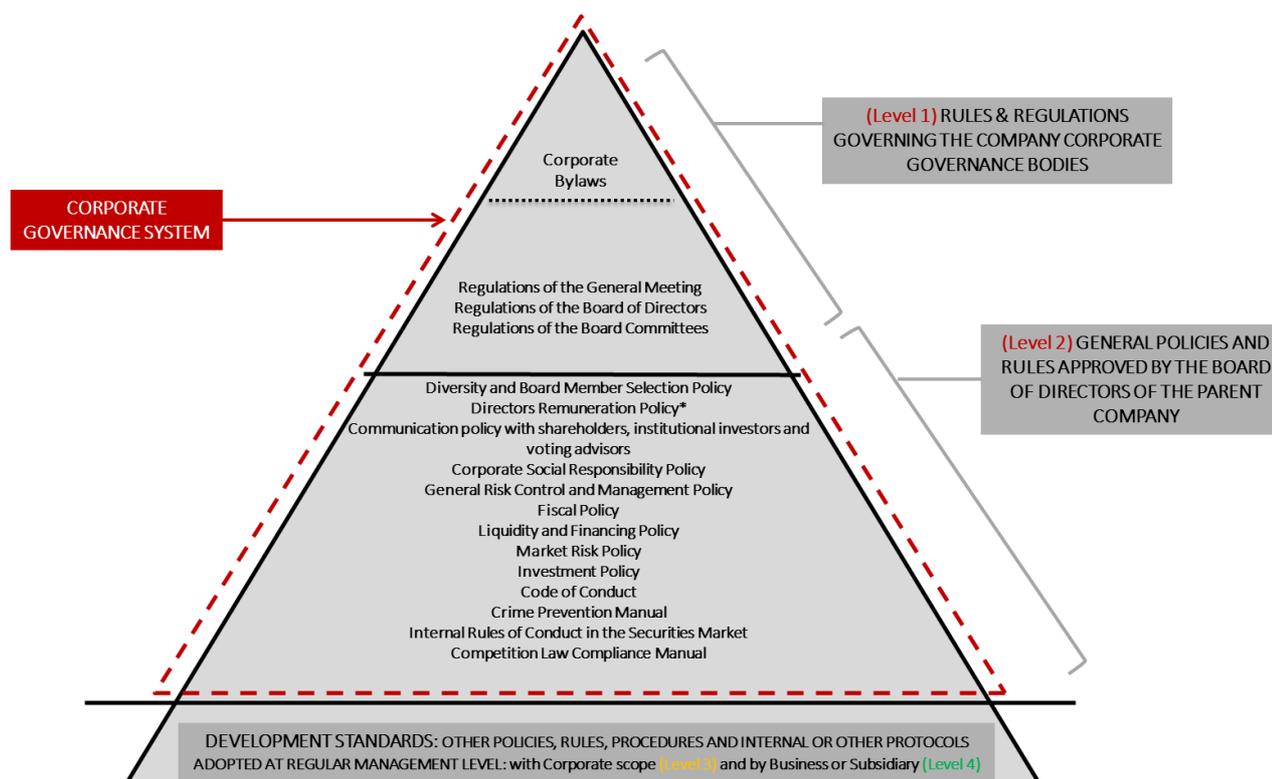
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<sup>2</sup> MA: Management Approach

## Corporate Governance Regulatory Framework

### General regulatory framework

The general regulatory framework in the area of Corporate Governance is made up of the Internal Regulatory System made up of four hierarchical standard levels: (i) those which regulate the composition and operation of the corporate governance bodies, i.e. the General Meeting and Board of Directors of the parent company (Level 1), (ii) the general policies and specific rules applicable to the entire CAF Group which are approved by the Board of Directors of the parent company (Level 2), the first two levels being referred to together as "System of Corporate Governance") and (iii) the implementing rules which, at the ordinary management level and respecting all the previous ones, can in turn be approved by the Management Team to allow the effectiveness and integration of the rules of Good Governance in the systems and processes and which can be Corporate in scope (Level 3) and also be developed by activities or subsidiary (Level 4).



\*In the case of the Directors' Remuneration Policy, its approval corresponds to the General Meeting, at the proposal of the Board of Directors.

CAF's Governing Bodies, both at the strategic management level and at the ordinary management level, apply and, where appropriate, develop the rules of the Internal Regulations System at their respective levels, informing and raising awareness among the different audiences of each of the company's stakeholders, through periodic communication and training initiatives.

Likewise, the company seeks to perform the permanent adaptation and updating of the Corporate Governance System to the new legislative developments or good practice codes and guides aimed at listed companies, which are periodically published by the regulatory and supervision bodies, in the shortest period of time possible.

The important milestones in 2019 include the modification of the General Risk Management and Control Policy being approved. Similarly, the amendment of the Appointments and Remuneration Committee Regulations, the Internal Code of Conduct on the Securities Market and a Competition Law Compliance Manual were approved. All of this has made it possible to strengthen the Corporate Governance System, as detailed in the following section.

The up-to-date regulatory standards of the company's corporate governance bodies and CAF's general policies are always available to the general public on the corporate website, in accordance with the applicable legislation.

### Effectiveness and implementation of the Corporate Governance System

The Corporate Social Responsibility Policy approved Group-wide defines the objectives, principles of action and commitments which, ultimately, translate into tangible and verifiable compliance with the rules of good governance

Achieving the goals that have been set has required CAF to establish preventive measures to ensure strict compliance with the current legislation in the places where CAF operates.

In the 2019 financial year, it is worth noting the modification of the Regulations of the Appointments and Remuneration Committee to incorporate recommendations derived from the Code of Good Governance of Listed Companies and the Technical Guide for Appointment and Remuneration Committees published by the CNMV, as well as to incorporate other technical improvements.

Similarly, the General Risk Management and Control Policy was updated in 2019, enabling the identification of the main risk categories to be updated and the corporate control system in this area to evolve, as well as the Internal Rules of Conduct on the Securities Market, in order to adapt the document to current legislation on market abuse, while incorporating mechanisms to improve the management of the list of insiders.

Also approved in 2019 was the Competition Law Compliance Manual, which is the standard that lays the foundations for the new Competition Compliance program, discussed further on in this Report, and which represents a major corporate advance in regulatory compliance.

Likewise, CAF's principle of action is the monitoring of good governance practices in general and those set out in the Code of Conduct in force at CAF in particular, and this is where the conduct due to the organization's professionals and their collaborators is regulated, as well as the general mechanisms for supervising and controlling said proper conduct.

In this regard, in the current financial year 2019, in addition to the approval of the Competition Law Compliance Manual, progress has been made in the deployment of the rules of the Code of Conduct by extending the specific Code of Conduct for Suppliers in the activity of CAF, S.A. Vehicles to the entire CAF Group, giving this Supplier Code of Conduct a corporate scope.

## ● The Board of Directors and its Committees

### Board of Directors

CAF's most senior decision-making body is its Board of Directors, which currently comprises ten members. CAF also has an Audit Committee and an Appointments and Remuneration Committee.

The Board acts as a decision center in relation to the management of the company at a strategic level and to this end focuses its activity on the general role of guidance, supervision, establishing of general strategies and control of the ordinary management delegated to the Management Team. For their part, the committees not only perform the duties legally assigned to them but also other additional duties as recommended by the best practices and recommendations for good corporate governance.

The current Diversity and Director Selection Policy states that candidates for company directorship must be honorable, suitable and highly solvent, competent, experienced, qualified and have training, and also contains diversity criteria as an important element in the analysis of the needs of the Board of Directors and the Company that must preside over the selection of directors.

Furthermore, as a measure to ensure respect for Good Corporate Governance practices, directors are obliged to place their office at the disposal of the Board in certain cases; for example, when

they are involved in cases of incompatibility or prohibition by law, as well as when they are prosecuted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious misconduct by the supervisory authorities, or when they are involved in a situation of conflict of interest with the Company and fail to comply with the duties of communication and abstention.

The Board of Directors also improved the annual evaluation report for 2019, giving a positive assessment of its work and the work of its members and committees.

CAF's Annual Corporate Governance Report contains this information in greater detail, as well as other relevant information about the Company.

### Audit Committee

In accordance with best practice, the Audit Committee is composed of three independent directors appointed by the Board of Directors, including its Chairwoman, who is appointed on the basis of her knowledge and experience in accounting and auditing matters.

Following the publication of the Technical Guide on Audit Committees of Public Interest Entities by the National Securities Market Commission, an amendment of the Audit Committee Regulations was approved in 2018 to bring it into line with the guidelines established therein and to make other technical improvements.

The functions of this Commission include, among many others:

- Supervising the process of preparing and presenting financial and related non-financial information, verifying its integrity.
- Supervision of the effectiveness of the company's internal control, internal auditing and its risk management systems, in addition to discussing the significant weaknesses of the internal control system detected during the course of the audit with the accounts auditor, all without violating their independence.
- Ensuring the independence of the unit that assumes the internal audit function, proposing its selection, appointment, re-election and dismissal, and also guiding its work plans, receiving periodic information on its activities and evaluating its performance.
- Submitting proposals to the Board of Directors for the selection, appointment, reselection and replacement of auditors, with responsibility for the selection process and the terms of their recruitment, preserving their independence in the exercise of their duties and performing a final appraisal of their performance.
- Assessing everything relating to the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks.

## Appointments and Remuneration Committee

The Appointments and Remuneration Committee consists of three non-executive directors, two of whom are independent, including its Chair.

As a result of the publication of the Technical Guide on Appointments and Remuneration Committees by the National Securities Market Commission, an amendment to the Appointments and Remuneration Committee Regulations was approved in the 2019 financial year to bring it into line with the guidelines established therein and to make other technical improvements.

The functions of this Commission include, among many others:

- Evaluating the competencies, knowledge and experience necessary in the Board of Directors and submitting the respective proposals and reports on appointments to the Board.
- Proposing the remuneration policy for directors and senior managers to the Board of Directors.
- Supervising compliance with internal codes of conduct and the company's corporate governance rules,
- Periodically assessing the adequacy of the company's corporate governance system, so that it fulfills its mission of promoting the corporate interest and takes into account, as appropriate, the legitimate interests of other stakeholders,
- Reviewing the company's corporate responsibility policy, ensuring that it is geared towards the creation of value,
- Monitoring the corporate social responsibility strategy and practices and evaluating their degree of compliance,
- Monitoring and evaluating the processes of relationship with the different stakeholders, and
- To coordinate the non-financial and diversity information reporting process, in accordance with the applicable legislation and the international standards of reference.

## 2.2 Risk management

[102-15]

On December 20, 2016, the CAF Board of Directors approved the General Risk Control and Management Policy to adapt the company's comprehensive risk control and management system so that the risks of all the Group's activities are properly managed.

In 2019, the General Risk Control and Management Policy was updated to identify the main categories of risk and the evolution of the integral corporate control and management system in this area. In addition, the Group continued to complete its single catalog of risks and to improve the methodology and dynamics of management of each type of risk.

The implementation of the Risk Control and Management Policy is aimed at establishing the basic mechanisms and principles for proper management, with a risk level that enables it to:

- Meet the strategic targets set by the CAF Group with controlled volatility.
- Give the shareholders the greatest possible peace of mind.
- Safeguard the earnings and reputation of the CAF Group.
- Defend the interests of its stakeholders; and
- Ensure the stability and financial soundness of the business, sustainably over time.

The risk management model adopted by CAF is aligned with the ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management) international standards, insofar as it employs an effective methodology for the analysis and integrated management of risks and the Three Lines of Defense Model for allocating responsibilities in the area of risk management and control.

The risk management model is the same throughout the company and for all types of risks. The model consists of the following activities:

1	Establishing the risk management context for each activity, setting, among others, the level of risk that the Group considers acceptable.
2	Identification of the different types of risk faced by the Group, in line with the main ones specified in the Policy.
3	<p>Analysis of the risks identified and implication in the CAF Group as a whole:</p> <ul style="list-style-type: none"> <li>- Corporate Risks - Those that affect the Group as a whole.</li> <li>- Business Risks - Those that specifically affect each of the activities/projects and that vary according to the particularity of each one of them.</li> </ul>
4	Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5	The measures planned to deal with the identified risks.
6	Regular monitoring and control of current and potential risks through the use of internal control and information systems

Additionally, a single risk catalog has been created for the entire Group. This catalog defines a first level of risk structure consisting of strategic, financial, legal and operational risks, and those relating to corporate governance and compliance. In turn, this is subdivided into more specific risks within each of the categories. The level of risk, type of management (corporate or business) and measures planned to handle it are properly defined for each category or subcategory.

Given their nature, operational, corporate governance and compliance risks related to human rights, people, the environment and the commission of crimes are noteworthy for corporate social responsibility purposes. For the above, it is proposed to act at all times under the

protection of the law and the reflected values and standards of conduct in the Code of Conduct and of the principles and good practices reflected in corporate policies, under the principle of "zero tolerance" regarding the commission of illicit acts and situations of fraud.

With regards to the Recommendations from the Code of Good Governance for Listed Companies, CAF complies with any that relate to the "function of risk control and management".

## 2.3 Business ethics, fraud and corruption prevention and respect for competition law

[102-16, 102-17, MA 205, 205-2, MA 206, MA 415]

### Code of Conduct

Having a good reputation is an essential intangible resource that ensures a relationship of trust and adds value, both internally and externally, with all of the actors with whom CAF interacts. To achieve this, it is vital to foster ethical conduct that promotes the relationship between the Group and the actors involved.

Since 2011, CAF's Code of Conduct has defined the set of general rules and principles of corporate governance and professional conduct that apply to all of the Group's professionals, and any organization or person that works or interacts with the Group. It also serves as the basis for any other Codes of Conduct relating to specific issues that may exist in addition to the main Code.

The Code of Conduct is underpinned by three cornerstones (structural ethical principles, behavioral criteria of CAF's professionals and implementation mechanisms), which in turn are embodied in a set of specific mandatory rules.

CAF Code of Conduct



The contents of the Code of Conduct are as follows:

Structural ethical principles	Behavioral criteria	Implementation mechanisms
<ul style="list-style-type: none"> <li>- Our strict compliance with the law and human rights</li> <li>- Involvement of our shareholders</li> <li>- Quality and excellence are our cornerstones</li> <li>- CAF's reputation and prestige as a calling card</li> <li>- Protection and development of our human resources</li> <li>- CAF's respect and commitment to the community and the environment</li> <li>- Confidentiality and transparency in all CAF's relationships</li> </ul>	<ul style="list-style-type: none"> <li>- Relationship with shareholders, seeking to maximize value creation and the transmission of truthful, complete and current information</li> <li>- Relations with clients, based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interests</li> <li>- Relations with suppliers and other partners, considering competitive value and quality when choosing them</li> <li>- Human resources implements the staff recruitment and management processes based on equality and integrity, encouraging training and promoting health and safety</li> <li>- Relations with public bodies, strictly complying with the law and respecting integrity, and compliance with all competition laws</li> <li>- Relations with the community and environment, defining the keystones of the environmental policy and with a commitment to improve the quality of life of people in the communities</li> <li>- Operations in the organized markets, with transparency and control of information as principles</li> </ul>	<ul style="list-style-type: none"> <li>- The Compliance Committee or Unit as the delegated body responsible for assessing the adaptation of policies regarding ethical behavior and compliance with the Code of Conduct</li> <li>- Training on the Code within the yearly training plan</li> <li>- Whistleblowing channel</li> <li>- Measures to take in the event of the violation of the Code of Conduct</li> </ul>

The Code of Conduct is available on CAF's corporate website (www.caf.net) and has been disseminated to all of our employees through the CAF portal.

The ethical principles that govern CAF's actions in the market are aligned with international standards, which is especially important in companies like CAF, which operates on a global stage. The Crime Prevention Manual, referred to in the following section, has been one of the essential instruments for ensuring respect for the General Principles of the CAF Code of Conduct, and the Competition Law Compliance Manual was an addition to it.

For all these reasons, it can be said that the development of its activity in accordance with ethical principles, with special emphasis on the prevention of fraud and corruption together with full respect for the principles and laws regarding competition, are a priority for CAF and, consequently, are fundamental aspects of Good Governance and Corporate Social Responsibility.

## ● Crime Prevention Manual

While producing the Code of Conduct, a crime prevention program was established, taking the form of the CAF Group's Crime Prevention Manual, which was approved by CAF's Board of Directors on 29 April 2015 (the initial version), complying with the latest provisions to be added to the Penal Code and including the Code of Conduct as an essential part of it. Both documents have been adapted to comply with the local legislation in each country where CAF has subsidiaries, depending on the requirements.

To prepare this Crime Prevention Manual, a detailed analysis was carried out of the criminal risks, making it possible to define, from the whole catalog of crimes that could be committed by legal entities, those called "relevant crimes", which are those which to a greater or lesser degree can be linked to the operations of the CAF Group and, consequently, determine which actions merit the most attention with a view to preventing the commission of crimes.

From the above list, the following are specifically related to the fight against corruption and bribery: (i) the offense of corruption between private individuals, (ii) the offense of bribery and (iii) the offense of corruption in international transactions. The catalog of relevant offenses for the CAF Group also includes money laundering.

The activities of the CAF Group that deserve special attention for the purposes of the above can be summarized as follows: (i) tenders in public competitions, (ii) execution of both public and private contracts and also (iii) comprehensive projects.

The specific management of the risks identified in the CAF Group's Crime Prevention Manual takes place: (i) through the application of action policies and the establishment of controls, (ii) by raising the awareness of all persons in the CAF Group affected by the Manual through training and dissemination activities, (iii) by managing a complaints channel that allows for the detection of conduct that violates the Code of Conduct or the aforementioned Manual, and (iv) by adapting the Manual to the subsidiaries of the CAF Group to ensure that, in addition to the general guidelines being applicable to all companies in the Group, local regulations are complied with in countries that require the establishment of specific guidelines in accordance with their own regulations.

The CAF Group's Crime Prevention Manual and its appropriate developments specifically specify the aforementioned risk activities carried out by the Group, linking them to possible criminal conduct that may be committed, and assigning certain action policies and controls that must be respected to prevent the commission of crimes.

Classifying an activity as "risky" does not mean that it is illegal or criminal, but that it is an activity which, if proper precautions are not taken, may lead to situations that could have criminal implications.

CAF Crime Prevention Manual



In turn, the action policies are protocols or procedures that must be followed, which are established by the CAF Group to prevent the commission of criminal acts while performing risky activities.

This Manual, and its developments and updates, meet the needs of verifying the adequacy and effective implementation of the procedures and controls in the company, with the aim - insofar as is possible - of preventing the risk of crimes being committed that are relevant to the CAF Group's activities and also the consequences thereof.

To this end, an obligation has been established, among others, whereby the legal and professional representatives of the CAF Group, and third parties that enter into contracts with companies of the Group, abide by the General Principles of CAF's Code of Conduct.

In this regard, the General Principles of CAF's Code of Conduct are rules of conduct and imperative ethical standards that take the form of scrupulous respect for the law, for human rights, for public freedoms and fundamental rights, for the principles of equality and non-discrimination, protection against child labor exploitation and all other principles in the Universal Declaration of Human Rights and in the United Nations Global Compact on Human Rights, labor rights, environmental rights and the fight against corruption.

To ensure that we achieve the above, the Compliance Committee or Unit is the CAF Group's body with independent monitoring and control powers, responsible for developing and ensuring compliance with the crime prevention program that is implemented through the CAF Group's Crime Prevention Manual and its updates and developments, both nationally and internationally, which we describe below.

The CAF Group's Crime Prevention Manual stipulates that the Compliance Committee or Unit is able to appoint an Officer, who functionally reports to it, in those subsidiaries or offices of the CAF Group that are based in jurisdictions where it is either required by the local legislation or it is advisable given the size and characteristics of the subsidiary or office.

Likewise, in the 2019 financial year, a decision was made to change the structure of the Compliance Committee, in light of the need for the Compliance body to have a multi-disciplinary operational side and the need to separate this from the supervisory side, which would be fulfilled by the Directors of the Compliance Committee appointed by the Board of Directors.

To this end, the Compliance Operations Committee was created, as the functional organizational side of the Compliance Committee.

## ● Dissemination and training relating to the Crime Prevention Manual

Employees can always access the Crime Prevention Manual on CAF's Portal, without the prejudice to the fact that notification is immediately given of any new versions of it when any change to the Manual is approved.

Notwithstanding the above, a specific section on Compliance has been enabled in the CAF Group's corporate app with a sub-section on Crime Prevention and Code of Conduct and another sub-section on Antitrust Law. In this way, all the employees of the CAF Group have been given access, in a single place common to all, to all the most relevant regulations on each of these subjects, being able to access them from any device.

Regarding training activities, in 2019 we continued with the measures that started in 2016 to increase awareness about, disseminate and implement the Crime Prevention Manual among the CAF Group's staff.

At the time of drafting this report, in the parent company and all of its domestic subsidiaries, 94.40% of people included in the training plan on this matter had completed it. In 2019 we made significant strides internationally, with the training programs having been launched in 97% of our consolidated companies. 4,762 people, or 93% of the staff, have received training in this area (in 2018, more than 3,800 people) of the eligible group. There are currently 386 people on the

program. A training system is also maintained which is included in the introduction plans for new employees. The training materials are kept up to date. Said figures do not take into account the incorporation of the Swedish company Euromaint as it is a recent acquisition of the CAF Group, although the training plan on this subject has already begun in the 2019 financial year.

Additionally, 100% of the partners in the CAF Group's activities, in every region where we operate, are made aware of the General Principles of the CAF Group's Code of Conduct and informed that it is compulsory to comply with them.

## ● Whistleblowing channel

The Crime Prevention Manual establishes a single channel for reporting complaints, which is supervised by the Compliance Committee or Unit. This body regularly analyses the reports received and, where appropriate, takes the necessary action to deal with the specific circumstances of each report. If the report is deemed to be worthy of further attention, the Compliance Committee or Unit can send the documentation to the relevant department so that they can jointly assess the facts and decide what steps to take.

The Compliance Committee or Unit reports the allegations, and generally any violations of the Crime Prevention Manual and Code of Conduct that are detected, to the Board of Directors, the Audit Committee or the Management Board, depending on the circumstances and nature of the alleged infractions that have been detected.



A proper record is kept of the reports received, ensuring the confidentiality of the sender and its content.

The Manual also stipulates that other ways of receiving complaints can be established in those jurisdictions where the local legislation so requires.

In 2019, two complaints were received by the channel, and one more by an alternative channel, all of them related to issues in the field of work, which were duly investigated, processed and resolved. In 2018 there were no complaints in the channel.

## ● Adaptation of the Crime Prevention Manual in subsidiaries

The CAF Group's Crime Prevention Manual is binding for all of the Group's domestic and international subsidiaries, and it must also be adapted to the specific characteristics and requirements of the local law applicable to international subsidiaries. Consequently, in accordance with the above, basic adaptations are made for all foreign subsidiaries and detailed adaptations are made to meet any specific needs identified.

The international dimension of the CAF Group as of December 31, 2019, was made up of 74 foreign affiliates in 38 countries throughout the five continents.

The basic adaptation of the Crime Prevention Manual was fully completed in 2017 for all subsidiaries that were then part of the CAF Group and it included: (i) the legal formalities to adopt the CAF Group's Crime Prevention Manual and (ii) recognition of the Compliance Committee or Unit, and (iii) training and informing the governing bodies. Thereafter, these basic adaptations have been carried out systematically, when a new subsidiary is created and as part of an integration plan when a pre-existing company joins the CAF Group.

For its part, adaptation at the international level in the area of crime prevention can be made for a specific country and in some cases for a specific subsidiary by either adapting the content of the general corporate guidelines contained in the Manual or developing a Compliance sub-program that allows for the establishment of guidelines of a specific nature, all of which will depend to a great extent on the existing legal regulation in the country in question and on the greater or lesser flexibility that such rules provide in order to maintain the common corporate model or not.

More specifically, in 2019 the following set of regulations will be developed internationally in the area of criminal compliance: (i) 6 countries where the adaptation of the general guidelines contained in the Crime Prevention Manual has been carried out, (ii) 2 countries where a complete criminal compliance subprogram with specific guidelines is already in place, and (iii) 2 more countries where a subprogram with these characteristics is being implemented.

## ● Review of the Crime Prevention Manual

It is also worth noting that the Crime Prevention Manual is reviewed and updated regularly in the following cases:

- Whenever significant changes that occur in the organization, in the control structure or in the activity performed by the CAF Group make it advisable.
- Whenever significant legal or jurisprudential changes make it advisable.
- Whenever significant breaches of its rules are brought to light that also make it advisable.
- Every two years, even when none of the foregoing circumstances apply.

However, the Crime Prevention Manual stipulates that, whenever the circumstances so require, the risks of the criminal acts referred to in the Manual being committed will be reassessed, with the resulting Internal Risk Map being updated and, in any event, such reassessments will be carried out at least once every four years.

More specifically, the Manual was reviewed in 2016 and 2018, with the latest modifications approved by the Board of Directors of CAF, S.A. on 18 December 2018. After any new version of the Manual - or further development thereof - is approved, the appropriate dissemination and training activities are carried out.

In 2019, the re-evaluation of the risks of criminal compliance was launched, hiring the services of a prestigious firm specializing in this area.

## ● Antitrust Law Compliance Program

The CAF Group's Code of Conduct establishes the Company's commitment to comply with any local, national or international regulation in the field of Competition Law.

In order to comply with this commitment, and effectively prevent the risks of non-compliance with competition law, a decision was taken to implement a compliance program in this area at the corporate level, as was previously the case with the CAF Group's crime prevention compliance program.

In 2019, the Board of Directors approved the CAF Group's Competition Law Compliance Manual, which establishes the premises of the Compliance Program in this area and whose scope is corporate.

For the design and implementation of the Compliance Program, the criteria of the corporate methodology for risk control and management and the harmonized rules on compliance existing to date have been used, creating a model similar to that of crime prevention.

Similarly, the Compliance Committee has been designated as the responsible body and the means of dissemination and training described above in the area of crime prevention have been made available and the channel for complaints has been unified so that the management of the areas of criminal compliance and competition is unified.

## 2.4 Tax responsibilities

[102-16]

### ● Mission and commitment regarding tax matters

The approval of a Corporate Fiscal Policy in 2017 made it possible, among other things, to expressly set out the principles which were already applicable internally and which were crystallized in the formalization of CAF's mission and its commitments in fiscal matters, making all this accessible to all stakeholders through the publication of the aforementioned Policy on the corporate website ([www.caf.net](http://www.caf.net)), along with the rest of the Corporate Policies.

A second element, which complements the above, was the Fiscal Policy Development Manual approved on December 4, 2018 and published on the CAF Group's corporate website.

In essence, CAF's mission with regard to tax matters consists of ensuring that we comply with the tax regulations in force wherever we operate, avoiding any tax risks and fostering a cooperative relationship with the tax authorities.

CAF's ultimate goal is to build trust and contribute value in the domestic and international markets by acting responsibly, particularly in the area of taxation, which in turn will enable us to design a corporate strategy and ensure consistent tax behavior within the organization, through which we will ultimately achieve the following: (i) satisfying stakeholders, (ii) maintaining a relationship of mutual trust with tax authorities and (iii) helping to improve communities by paying taxes.

### ● Principles of action in tax matters

The following principles of action in relation to CAF's tax matters are a further development of the fundamentals of the Code of Conduct, of the Corporate Social Responsibility Policy and of the General Risk Control and Management Policy, and they must serve as a guide for the actions of all individuals and entities to which they apply:

1. Compliance at all times with its tax obligations, always seeking to meet the deadlines established by the tax regulations, for the payment of taxes and for any other tax obligations. To do so, CAF shall ensure the quality, reliability and certainty of the information and data, as well as the accuracy of its tax returns.
2. Collaboration at all times with the Tax Authorities, by fully and accurately providing any tax-related information and documentation requested by the competent tax authorities and other regulatory bodies, in the shortest possible time.
3. Avoid the use of structures, processes or systems of an opaque nature, designed exclusively for tax purposes, or with the intention of preventing Tax Administrations having knowledge of the ultimate party responsible for the activities or the ultimate owner of the assets and rights.
4. Avoid making investments or operations in or through territories classified as tax havens, in accordance with Spanish legislation, or in territories with low or no taxation, with the sole purpose of reducing the tax burden. The investments or operations in said territories will only be permitted when they are a response to business motives and have the purpose of carrying out the activity included in the corporate purpose of CAF, subject to prior approval by the Board of Directors where legally required or established in regulations.
5. Commitment to ensure that any actions on tax matters always have a valid economic motive.
6. Prevent and reduce, as far as possible, fiscal risks in the development of their activities, maintaining in all cases a prudent risk profile. In this framework, investments and operations that may represent a special fiscal risk will be evaluated with caution.

1/

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7. Ensure compliance at all times with obligations related to transactions between related parties, maintaining a responsible transfer pricing policy and in accordance with the arm's length principle, thus avoiding the erosion of tax bases through the use of prices not subject to fair market value adjustments.

7/

8. The responsible management of its intangible assets, avoiding the use and generation of such assets solely for tax purposes.

8/

CAF's Tax Policy requires all of the above principles to be followed in accordance with CAF's general principles and, in particular, the principles of good faith and integrity towards all stakeholders.

## ● Monitoring and control

Generally, it is the responsibility of the Audit Committee and, ultimately, the Board of Directors, to ensure that the entire CAF Group complies with the Tax Policy. Therefore, there are specific plans to establish internal control mechanisms in the Group, with information flows also envisaged from the Economic and Financial Department to the Audit Committee, for subsequent submission to the Board.

# 3

## RESPONSIBLE BUSINESS AND INNOVATION

*"Commitment to Innovation and Sustainability. CAF believes it is necessary to maintain and increase both its internal technological capacity and the quality and safety of the projects, products and services it develops for its customers, ensuring that they guarantee the sustainability of the company."*

*CAF's Corporate Social Responsibility Policy*

*December 29, 2015*

### 3.1

Excellence in customer relations

### 3.2

Quality and Safety

### 3.3

Innovation

### 3.4

Responsible supply chain

The client is the main focus of every activity performed by CAF. Listening to their demands and wishes is a priority for CAF to continue to be a reference in the railway sector, with an extensive portfolio at the cutting edge of technology.

To achieve this, CAF is committed to constant innovative effort, channeling its R&D through innovation plans that include all the new technologies, products and services CAF develops, focused on meeting society's new sustainable mobility needs.

## 3.1 Excellence in client relations

[102-4, 102-6, EG 416, EG 417, EG 418].

### ● Value proposition and international presence

CAF is a multinational group with more than 100 years of experience in providing its clients with comprehensive, cutting-edge transportation systems with high added value in sustainable mobility.

With a multi-activity and multi-plant nature and a benchmark in the railway sector, the Group offers its Clients one of the widest and most flexible product ranges on the market, from integral transport systems to rolling stock (railway and bus), components, infrastructures, signaling and services (maintenance, rehabilitation and financing). The whole value offer is available on the company's website.

- Within the railway rolling stock segment, which is its main historical activity, the Group offers a wide range of products, from high-speed trains to regional and suburban trains (diesel and electric), subways, trams and LRVs or locomotives.
- In the bus segment, the Group also has trolleybuses and urban rail vehicles, offering a wide range of battery-powered buses with zero emissions, where it maintains a leading position in the European market.

The Group serves a wide variety of clients throughout the world: from municipalities and regional or national public or private administrations, to other railway manufacturers and private system operators or maintenance companies, or even complex company structures accompanied by financial entities.

With a strong presence in the international market and with a strong focus on Europe, the Group has production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. It also has offices and railway vehicle fleet maintenance centers in more than 20 countries on the 5 continents, information regarding which is available on the corporate website. This proximity to the client allows the Group to develop more efficient production and provide excellent support and maintenance service coverage.

### ● Client needs and expectations

The Group's Management Model, personalized customer service and continuous improvement, lead the Group to satisfy the needs and expectations of its clients, and to make the entire delivery process a recommendation for future activities, as evidenced by the more than 180 projects or orders awarded in more than 48 countries in recent years, resulting in a record order portfolio.

As described in section 3.3 Innovation and in anticipation of the award of a contract or order, the Group captures the needs and expectations of potential clients and develops its technology and product Strategic Innovation Plan, which will be offered to clients in the proposition phase.

Once the project is awarded, the client's main expectations are set out in the contract that regulates the project or order, and are usually recorded in a database for the proper management of requirements in terms of quality, safety, design, cost, time, etc. (for example: Doors). In section 3.4 Responsible Supply Chain, we describe the relationship model with our Suppliers for the correct management of the transferred requirements.

Additionally, CAF uses other sources to find out about expectations not formalized by the Client in the contract or order, such as direct contact, project follow-up meetings, client audits and satisfaction surveys.

### ● Communication with clients and guarantee of supply

In the market prospecting phase and before the awarding of a project or order, the main channels of communication with potential clients are; the website, fairs, magazines, social networks, meetings etc., usually included in the Marketing Plan.

CAF's contracts include numerous requirements relating to meeting delivery deadlines, certification requirements, manufacturing site requirements and other operational risks. Therefore, once the project is awarded, a multidisciplinary project team is formed. The team is led by a Manager whose objective is the execution of the contract in terms of quality, safety, cost and time, as well as maintaining constant communication with the client. This relationship enables us to resolve any unforeseen issues in an effective and coordinated manner.

Usually the specific communication channels with each client are agreed with the client at the beginning of the project or order. They typically include monthly reports, project monitoring meetings at the Lead Engineer level and quarterly, high-level project monitoring meetings. Additionally, the document management tool to be used for official project communications is agreed upon with the Client, as are the approval flows and valid interlocutors (for example: Aconex, Minutes of official meetings with client, Project Management Plan, Project Scorecard and indicators, etc.).

Manuals and documentation of product safety, accompanied by specific training regarding the proper use are usually among the documentation provided to the client in the project phase.

### ● Evaluation of the relationship with the client

Below we indicate the main indicators that measure the evaluation of the relationship with our clients, the most relevant being Recruitment and Satisfaction, as they form part of the First Level Corporate Scorecard, which implies a follow-up in the Executive Committee and Board of Directors.

1. Contracting. Measures how we respond to needs and expectations during the proposition phase.
2. Client Satisfaction. In the project execution or order delivery phase, it is the main indicator for measuring the client's direct perception of the elements that make up CAF's value offer and identifying factors that allow us to improve our competitiveness.
3. Costs Of Poor Quality
4. Client Communication Assessment
5. Client Complaints
6. Compliance with the contract (requirements, deliveries, open points, reliability, availability, etc.)
7. Quality and Safety Certifications/Accreditations

From the 2019 satisfaction survey, we can highlight that the satisfaction index remains stable at significant levels, reflecting that actions are well targeted and that the Group responds positively to the needs and expectations of clients.

## 3.2 Quality and Safety

[MA 416, 416-1, MA 417]

Based on the commitments to clients defined in the Corporate Social Responsibility Policy, CAF's Management Model describes, among other things, the entire life cycle of the relationship with the Client; from how the commercial strategy is established and the preparation of offers, to the management of the projects or orders awarded and the ongoing relationship with the Client.

Defining and ensuring the deployment of the aforementioned Model through the Corporate Structure (Corporate Processes and Forums) to the main activities of the Group, is the objective of the Management Model Committee, led by the Quality, Safety and Approvals Department, and with the participation of other members of the Executive Committee.

In an environment with increasingly demanding clients and having to carry out the activity in different locations, the Group has to differentiate itself from the competition through the quality and safety associated with the products and services it offers.

To this end, the Group's activities have a Quality and Safety policy, in general, available on the website, the focus of which is the Client, and it is in turn the basis where the Management System is structured.

We highlight below the most relevant principles that specify the mentioned Policy:

- Safety prevails over all other aspects of goods and services.
- A Culture of Safety is promoted, encouraging everyone to suggest initiatives to improve safety.
- Effective Safety Management activities are consistently applied to all products and services, throughout the organization and throughout the entire life cycle of the project or order, from the bidding process, through product development and manufacturing and commissioning, to the end of the contract period and including contractors and suppliers. This usually results in a specific "Safety Plan" for each project.
- Safety risks during operation shall be eliminated or reduced to an acceptable level in accordance with industry standards and in compliance with applicable regulations and contractual safety requirements.
- Fulfillment of contractual, legal and regulatory requirements.
- Staff competencies and training.
- Risk analysis of the processes to prevent possible deviations from or non-conformity with the Quality and Safety Management System.
- The analysis of results, contributions of ideas and the introduction of good practices for the continued improvement of the Quality and Safety Management System.
- Establishing goals consistent with the company's strategic plan that are revised at least once per year.
- Promotion of a working atmosphere that favors the quality and safety of all our goods and services.

In this area, the following risks related to quality and product safety policy and complaints from clients and users have been identified: (i) breach of contracts with clients and possible complaints by the client and (ii) client dissatisfaction with the CAF product and experience.

The impacts arising from those risks may lead to complaints relating to projects committed to clients and possible disengagement from clients for contracts for future projects. Those impacts will have a direct effect on the short, medium and long terms, respectively.

These risks are integrated into the corporate risk management and control system detailed in the second chapter, which provides a sequence of activities aimed exclusively at managing these risks. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

To meet client expectations throughout the life cycle and ensure compliance with applicable legal requirements, the Group has implemented its own quality and safety management system, which incorporates the evaluation of all the Group's significant product and service categories. This

system defines the procedures for filing claims and complaints by clients, describing the mechanisms for monitoring and resolving them, as well as the follow up of specific indicators.

The management system is certified or accredited under different standards. The following certifications stand out:

Certifications	Area
ISO 9001:2015	Quality management
ISO TS 22163 (IRIS v3)	Quality management specifically for the rail sector
ISO 14001: 2015	Environmental management
OHSAS 18001	Occupational health and safety management
ISO 26000: 2012	Corporate social responsibility management
ISO 27001	Cybersecurity management
ISO 16602:2014	R&D+i management
ISO 3834-2	Fusion welding of metallic materials
AEO Authorised Engineering Organisation	Quality management
EN 50126/1999_EU 402/2013	Safety management system
Directive 2004/49/EC and Regulation EU 445/2011	Certificate of maintenance functions – fleet maintenance management
DIN6701-2	Manufacturing adhesive bonds on rail vehicles and parts or rail vehicles
EN 15085-2	Welding of railway vehicles and components.
AAR M-1003	Association of American railroads quality assurance specification.
RISAS Railway Industry Supplier Approval Scheme	Approved supplier of wheelsets, couplers and gearboxes.
UNE-EN ISO/IEC 17025:2005	Conformity assessment. General requirements for the competence of testing and calibration laboratories.
UNE-EN-ISO 3834-2:2006	Quality requirements for fusion welding of metallic materials. Part 2: comprehensive quality requirements. Manufacture of railway vehicles (body structure, bogies and sub-assemblies).
Directive 2004/49 / EC and Regulation EU 445/2011	Certificate of maintenance functions – fleet maintenance management



The Safety Management System certificate verifies that the requirements of Regulations (EU) 402 and 445 on the adoption of a common safety method for risk assessment and evaluation and the safety reference standard EN 50126 on "Railway Applications" are being met. The specification and demonstration of reliability, availability, maintainability and safety (RAMS)".

Additionally, it is common for the client or the relevant authority to also be able to demand the certification of the project by an ISA (Independent Safety Assessor) and the subsequent approval and certification of the product.

In addition to the project audits carried out by the client to ensure that CAF meets the contractual requirements, the activities carry out internal audits in order to continuously improve the Management System and ensure compliance with the requirements of the standards to which we are certified or accredited.

Thanks to this extensive experience in the development and implementation of the Management System, CAF collaborates with other stakeholders (operators, maintainers, suppliers, integrators, etc.) in working groups led by UNIFE with the aim of evolving and improving international quality and safety regulations.

### 3.3 Innovation

CAF gives special importance to continuous innovation in its range of products and services in order to respond to the global trend of increasing mobility, the limitation of fossil fuels and climate change, which directly influence the sustainability of the transport sector.

We translate this desire into action through new knowledge generation activities and the development of new technologies and products designed to offer more advanced transport solutions, considering both the needs that are perceived today and the global megatrends and future visions regarding passenger transport, which will enable us to have more efficient, affordable and eco-friendly solutions.

The CAF Group channels and coordinates its Product and Technology Innovation initiatives within the framework of a corporate Innovation Strategy. The Innovation Strategy is designed and reviewed annually, following an established process that allows us to align our technology and product/service development activities with the company's main strategic challenges that have been identified by the Board, seeking to develop sustainable solutions for our clients, whilst ensuring that we are competitive at the same time.

The Strategic Innovation Plan is implemented through the Annual Innovation Plan, which consists of: The R&D Plan and annual Product Plans.

#### ● R&D Plan - CAF Group

CAF's R&D Plan combines the development of knowledge generation activities with the development of the CAF Group's technologies, allowing us to set ourselves apart from our competitors, while participating in the main collaborative R&D initiatives in the sector that are described in the section below, thanks to which, the CAF Group is actively involved in the further development of the rail sector as a whole.

Within the variety of activities and lines of work included in the R&D Plan, the following are highlighted for their alignment with the current and future priorities of society.

#### Energy and the environment

There are several areas of work within our coordinated strategy which is aimed at reducing our environmental impact:

- Smart energy management used by the vehicle, including driver support systems, efficient automatic driving systems and intelligent equipment operation management systems.
- The development of on-board energy storage systems based on batteries and supercapacitors and fast charging systems and research into new propulsion systems (hydrogen, etc.) for use on trains that travel on infrastructures with no catenary.
- The development of specific technology aimed at the reduction of the train's energy consumption, either through improved efficiency (Traction equipment based on new Silicon Carbide components, better aerodynamics, etc.) or through the lightening of the vehicle (new materials, simplification of the architecture and removal of wiring).

#### Digitization

CAF is aware of the great importance of the digital transformation process currently taking place in all areas of society and therefore devotes a significant part of its R&D efforts to developing its own vision of digitization for rail and bus transport, moving forward on the following lines:

- Development of technology to provide an infrastructure for data collection and transmission throughout the entire rail and bus system, including aspects such as sensorization and communications between the vehicle and the infrastructure.

- Management and analysis of large amounts of information through Big Data techniques. Application of advanced data analysis techniques.
- Use of these tools in areas of special relevance such as diagnosis, maintenance, energy consumption and operations.

## ● Product Plans - CAF Group Activities

The Product Plans include the projects for improvement and product development based on technologies already consolidated in CAF.

Among the variety of activities underway, some of the most representative are:

- Reducing the weight of vehicles by using lightweight materials or optimizing how they are used, thus resulting in lower energy consumption.
- Integration of battery modules in train and trolleybuses to replace diesel engines, allowing circulation in non-electrified sections. This reduces gas emissions and external noise levels.
- Reduction of energy consumption with variable flow engines.
- Lower internal noise levels through the use of absorbent materials or by improving motorization rates.
- Development of signaling systems based on automatic operation, which help to increase line capacity and enable energy-optimized automatic driving.
- Development of batteries to obtain a higher density of energy available per kg of battery.

## ● Notable innovation projects underway or completed in 2019

We have listed some of the most notable projects from 2019 that fall within our Technology and Product Innovation activities and have an impact on the overall activities of the CAF Group. As we are aware that the key to innovation lies in knowledge and the people who develop it, CAF remains committed to increasing our internal technological development capabilities.

In this line, the European initiative Shift2Rail is noteworthy. It is currently one of the main agents for change within the railway sector. This is a major European initiative within the Horizon 2020 Framework Programme dedicated to research and innovation aimed at accelerating the integration of new technologies in the railway sector. Shift2Rail brings together the biggest players of the European rail sector. CAF has notable participation as it is one of the eight founding members of the initiative, additionally taking responsibility for the coordination of the "Innovation Program 1: Rolling Stock", which includes all developments related to vehicles. Within the framework of Shift2Rail, the following projects stand out.



### European Project Fine 1 and Fine 2

FINE1 and Fine 2 are projects launched within the framework of Shift2Rail, with the aim of developing improvements in the areas of noise and energy. The aim is to investigate technologically innovative solutions that will lead to a reduction in noise and energy consumption in railway systems. CAF has a significant participation.



### European Projects Connecta-2

Connecta-2 is a project launched within the Shift2Rail framework with the objective of radically evolving train control, diagnosis and monitoring system (TCMS). It seeks to incorporate advanced capacities such as wireless communication in the train's network, that of capacity to carry out high security functions (SIL4) and the validation of the functioning of the system before it is put into operation. These advances support the trends towards digitalization and automation in the rail sector. As well as being one of the main contributors on the technical side, CAF is coordinating the Connecta-2 project for the whole consortium.



### European Projects PINTA and PINTA-2

PINTA and PINTA-2 are projects launched within the framework of Shift2Rail, with the aim of developing the next generation of railway traction systems. Teams work together based on new electronic power component technology with the goal of reducing its volume and weight and increasing the energy efficiency thereof. Measures are also developed to increase the reliability and availability of the traction equipment, in addition to reducing the time and cost of the validation and certification processes. CAF Power & Automation is a notable participant in the consortium, being one of the members with the greatest volume of activity.



### European Project X2Rail-1, X2Rail-2 and X2Rail-3

X2Rail-1, X2Rail-2 and X2Rail-3 are projects launched within the framework of Shift2Rail, with the aim of developing a control, command and communication system that goes beyond being just a contributor to the control and safe separation of trains and becomes an intelligent, flexible and real-time traffic management and automation system. They are working on overcoming the limitations of existing communication systems, improving usable track capacity, innovating signaling architectures towards more decentralized and less costly systems, minimizing energy consumption and developing new cybersecurity systems.

CAF is also involved in a number of other European projects:



### Project ASSURED

Research and innovation project, with the aim of promoting the electrification of urban commercial vehicles and their integration with high-powered, fast-charging infrastructures, evaluating various infrastructures in different cities throughout Europe. The main purpose is that each of these solutions is capable of charging various types of vehicles and are designed to power a complete fleet of buses. Solaris participates in research on the stability, safety, reliability and standardization of the electricity grid, contributing to the collection of vehicle data.



### Project TRUSTONOMY

The TRUSTONOMY Project is a Project launched under the Horizon 2020 Framework Programme. The aim of the project is to maximize the safety, confidence and acceptance of self-driving vehicles. Trustonomy researches from the perspective of performance, ethics, acceptability and trust, different relevant technologies and approaches, such as the Driver Status Monitoring System, HMI design, risk models and driver training methodologies. Solaris plays an important role in the consortium, being responsible for testing the Trustonomy system on the test track. Additionally, it participates in creating test procedures and in defining the guidelines for integrating the system into the vehicle.

### Project VIRTUAL FCS

The general objective of the VIRTUAL-FCS Project is to develop an "open-source" hardware-software tool that can be adopted as a global standard for fuel cell design. The platform will carry out this development for both combustion engines and battery based powertrains and will give the integrator confidence that the System will meet the requirements for performance, reliability and durability. Solaris brings its experience in the field of hydrogen buses to the project.

## 3.4 Responsible supply chain

[102-9, MA 204, 204-1, MA 308, 308-2, MA 414, 414-2]

### ● Supply Chain Management Model

As one of our main stakeholders, suppliers play a decisive role in the Group's capacity to deliver high-quality products and services to clients. As stated earlier in this chapter, as an organization with a clear customer focus, CAF seeks to make its differential contribution of value by relying on reliable supplier organizations, to whom the needs and expectations are transmitted in a structured manner for the correct management of the transferred requirements.

The CAF Group manages its supply chain, and seeks a balance between the company's objectives and the needs and expectations of its suppliers, through a Management Model based on business processes that describe how the different activities should be carried out to ensure that materials are contracted, collected and served to the production lines in compliance with the time, cost, quality, safety and sustainability objectives. The effectiveness of these activities is monitored by a cross-functional team made up of managers from the various departments directly involved in supply chain management.

To this end, the Vehicle activity has a purchasing policy and as a change in 2019 in this area, it is worth highlighting the establishment of a Corporate Suppliers Forum, which was created with three objectives: to unify policies, ways of doing things and management tools; to identify and take advantage of synergies; and to maximize the value contribution of suppliers to the organization.

In this area, we identified the following risks associated with the Procurement Policy in relation to social, gender equality and environmental issues: (i) violation of business ethics by suppliers; (ii) suppliers failing to comply with the laws and regulations; (iii) disregard for the protection of human rights and (iv) engaging in corrupt acts (bribery).

The impact from those risks may result in the loss of suppliers and penalties/breaches of contract with clients and harm the image or reputation of the CAF brand. Both impacts are felt immediately in the short term, but those impacts may also persist in the medium time due to the need to find replacement suppliers.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

### ● Communication with suppliers

CAF is aware that good communication and information exchange between the company and its suppliers are key factors in maintaining efficient processes and long-term business relationships, and therefore chooses to maintain a two-way dialog.

The result of this survey has shown a remarkable level of satisfaction and the identified opportunities for improvement will be analyzed and addressed in 2020.

In addition, all suppliers have a specific and differentiated communication channel available to consult any queries regarding the Code of Conduct or the Supplier Code of Conduct and to report to CAF's Purchasing Department any current or potential conflict of interest as well as any breach of business ethics by CAF's professionals.

## ● Development of local suppliers

The CAF Group is committed to the development of supply chains in countries where the most significant operations are carried out.

For example, in 2019 the percentage of spending in countries with significant operations that is accounted for by local suppliers was 58%<sup>3</sup>. Thus, as well as guaranteeing the supply and maintaining relations with the community, CAF helps to promote a stable local economy.

Likewise, the Vehicle activity continues with its Development program of local small and medium size suppliers with whom it works on the adaptation of processes and capacities to the growth strategy of the Vehicles Business Unit, as well as on the improvement of performance in deliveries, quality and profitability.

In 2019, and within the framework of this program, we collaborated with 7 suppliers, obtaining a significant improvement in their delivery and quality indicators as well as in their working conditions. CAF has therefore been recognized within the framework of the supplier drive program with the Euskalit award.



## ● Supplier approval

As a general rule, all new suppliers are evaluated on their ability to supply quality products and to meet deadlines. To this end, the CAF Group has defined specific approval procedures adapted to the needs of each activity and product or service required from its suppliers, where the following aspects are evaluated:

- CSR, Environmental and Occupational Health and Safety management certifications, among others<sup>4</sup>.
- Product Quality Management related to IRIS<sup>5</sup> certification .
- Compliance with the CAF Code of Conduct.
- Compliance with CSR Policy

In addition to the above aspects, in the Vehicles business, for suppliers to be approved it is an essential requirement that an audit is performed on their premises. As a result of this process, the capacity of the supplier is rated as A (Optimum), B (Satisfactory) or C (Unsatisfactory). Environmental and social criteria have been assessed in all audits of approved suppliers in 2019.

If the assessment of a supplier shows poor performance, the supplier is urged to define and complete an action plan to improve the weaknesses that were identified. This action plan is monitored in a forum in which the purchase managers take part, together with the experts associated with each performance indicator: SQA (Quality), Activation (OTIF), Safety and Maintenance (Reliability).

## ● Supplier evaluation

Once the supplier is approved, its performance is periodically evaluated through indicators based on objective and quantifiable criteria. The five most relevant indicators are listed below:

- Compliance with the delivery plan
- Product Quality
- Equipment reliability
- Safety incidents
- Sustainability

<sup>3</sup> This includes data on purchases made at the Group's relevant locations, which account for 90% of CAF's workforce. For the Bus business, figures have been included since it became part of the Group in September. A supplier is considered local when it is located in the same country.

<sup>4</sup> Certification of SA8000 Social Responsibility, Certification of ISO 14001 Environmental Management System, Certification of OSHAS 18001 Occupational Health and Safety Management System, Certification of ISO 22301 Business Continuity Management System, etc.

<sup>5</sup> Risk analyses, quality certificates and supplier management are evaluated, among other things.

In the event that a supplier's assessment reflects an insufficient level, the supplier is urged to carry out an action plan to improve the identified weaknesses.

## ● Sustainability in the Supply Chain

### Supplier code of conduct

The CAF Group requires all its suppliers to comply with the ethical principles contained in the CAF Code of Conduct published on the corporate website, which includes social, gender equality and environmental commitments<sup>6</sup>.

Additionally, in 2019, the Code of Conduct for Suppliers became effective on a corporate level following its approval by the Suppliers' Forum and ratification by the Executive Committee and is available through the normal means of internal communication, as well as on CAF's website. This code implements the commitments to comply with the general principles of the code of conduct, working conditions, health and safety, environment, commercial ethics and confidentiality. Likewise, CAF reserves the right to verify compliance with this Suppliers' Code by its direct suppliers. The said verification may be carried out by various means, for example through self-assessment questionnaires or audits at the supplier's premises.

### Sustainability assessment of suppliers

When obtaining sustainability assessments from suppliers, the vehicles unit prioritizes those with greater environmental, social, and ethical risk, whether due to the potential environmental impact of the product or being located in countries with greater exposure to these risks.

The assessment is carried out through the company Ecovadis, a world leader in this field and a sustainability assessment platform chosen by the members of the Railsponsible initiative to evaluate the CSR management of suppliers. Ecovadis adapts the assessment questionnaire to each supplier according to the locations in which they operate, their sector and their size in order to evaluate 21 aspects of sustainability aligned with the most demanding international rules, regulations and standards among which are the Global Reporting Initiative (GRI), International Labour Organization (ILO), UN Global Compact and ISO 26000. The suppliers' answers are assessed by specialized analysts who pay special attention to ensure that the documentary evidence is consistent, recent, and provides an overview of the Policies, Actions, and Results in the various areas. This analysis results in an overall score out of 100 points, the top score representing excellent CSR management. When the result of an assessment does not comply with the requirements established by CAF, the supplier is requested to implement a plan of action to improve the weaknesses identified.

21 CSR Criteria			
ENVIRONMENT	LABOR & HUMAN RIGHTS	ETHICS	SUSTAINABLE PROCUREMENT
<b>Operations</b> <ul style="list-style-type: none"> <li>Energy Consumption &amp; GHGs</li> <li>Water</li> <li>Biodiversity</li> <li>Local &amp; Accidental Pollution</li> <li>Materials, Chemicals &amp; Waste</li> </ul> <b>Products</b> <ul style="list-style-type: none"> <li>Product Use</li> <li>Product End-of-Life</li> <li>Customer Health &amp; Safety</li> <li>Environmental Services &amp; Advocacy</li> </ul>	<b>Human Resources</b> <ul style="list-style-type: none"> <li>Employee Health &amp; Safety</li> <li>Working Conditions</li> <li>Social Dialogue</li> <li>Career Management &amp; Training</li> </ul> <b>Human Rights</b> <ul style="list-style-type: none"> <li>Child Labor, Forced Labor &amp; Human Trafficking</li> <li>Diversity, Discrimination &amp; Harassment</li> <li>External Stakeholder Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Corruption</li> <li>Anticompetitive Practices</li> <li>Responsible Information Management</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Environmental Practices</li> <li>Supplier Social Practices</li> </ul>



<sup>6</sup> This represents 65% of the purchases made by the national and international subsidiaries of the main activities during the financial year 2019 (Rolling Stock, Railway Services, Components, Signaling, Power and Traction Equipment and Engineering and Bus). In the case of Euromaint, data have been added since it joined the Group in July.

## Results of the Responsible Purchasing Program

The main results of CAF Vehicles' Responsible Purchase Program for 2019 are shown below:

- The number of suppliers assessed went from 23 suppliers in 2018 to 39 in 2019.
- The coverage of the sustainability assessments in relation to the total purchases of Materials and Equipment went from 35% to 55% in the last year.
- The general sustainability indicator of the suppliers for the Vehicles activity was 52.9 points, 10 points above the average of all the suppliers assessed by Ecovadis on a global scale.
- 50% of the CAF Vehicles suppliers assessed improved their assessment during 2019 and 20% remained the same.
- 7% of the purchases of Materials and Equipment was with suppliers with an Ecovadis assessment score between 45 and 25 of which plans have been requested to improve their results.
- No purchases were made from suppliers with an Ecovadis assessment score of less than 25 and therefore considered a risk.

## Railsponsible

CAF continues its participation in the Railsponsible sector initiative where it collaborates with other stakeholders in the development of sustainable practices along the rail industry value chain.

During 2019, it is worth noting the participation of CAF in the working group aimed at defining best practices in Responsible Purchasing and the reflection of the strategy carried out by the members' committee for the years 2020 and 2021, in which, at the expense of its approval by the management committee in January 2020, action against climate change and social responsibility will figure as the main challenges.



## Training and awareness

Aware that this dynamic requires a strong involvement of the purchasing teams, during 2019 the vehicle activity has continued the work of training and raising awareness of its employees in aspects of sustainability through training in aspects of Corporate Social Responsibility and Environmental Management to 11 Category Managers and Purchasers of Materials, Equipment and Logistics.

# 4

## THE EXCELLENCE OF OUR TEAM

*"CAF is committed to promoting the professional development of people, taking into account the possible balance between the company's goals and the needs and expectations of the employees. Likewise, CAF promotes the permanent adaptation and improvement of the competences and capacities of the whole organization."*

*CAF's Corporate Social Responsibility Policy*

*December 29, 2015*

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### 4.1

The value of our human capital

### 4.2

Occupational risk prevention

## 4.1 The value of our human capital

[102-7, 102-8, 102-12, 102-35, 102-36, 102-41, MA 202, 202-1, MA 401, 401-1, MA 402, MA 404, 404-1, 404-3, MA 405, 405-1, MA 406, MA 407, MA 408, MA 409, MA 411, MA 412, 412-2]

### ● People and their talent are key

The people who make up the CAF Group are vital for developing a sustainable project, as is also clearly stated in the Corporate Social Responsibility Policy and our Code of Conduct.

CAF promotes the professional development of people, striking a balance between the company's objectives and the needs and expectations of the employees, and promoting the continuous adaptation and improvement of competencies and skills. The experience, knowledge and motivation of our staff are reflected in each of our products and services.

In order to achieve this balance and continuous improvement, in 2017 a review of human resources practices was carried out, which resulted in a corporate people management process. Through this framework we have defined our own standard, which is common to all of the Group's companies. Given its comprehensive nature, it requires a wide scope to ensure the adaptation of the organization, covering induction and internal mobility activities, the assessment and classification of professionals, and their training and development. In addition, policies were reviewed and defined for both remuneration management and labor relations.

In 2019, within the framework of the activities aimed at ensuring compliance with this process, it is worth highlighting the progress made in both the Group's national and international subsidiaries, where, among other actions, both the assessment, qualification and management systems for corporate training and the technological platform supporting it have been implemented. During this year, a high degree of progress has been achieved with the action plan in the Vehicles and Railway Services activities at a national and international level, which will be extended to the Group's other activities throughout 2020 and 2021 considering the new consolidation perimeter.

In this area, we identified the following risks relating to occupational hazard prevention and adequate professional development of careers: (i) staff turnover (ii) insufficient training and professional development (iii) lack of diversity and equal opportunities (iv) accidents and damage to health.

The impacts from those risks may lead to lower productivity from employees, damage to health and lower motivation and fines relating to the occupational health and safety of workers. Since those risks and their impacts emerge gradually, they are felt in the medium term.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

### Social dialog

In terms of how we organize social dialog, it is worth highlighting the continuous communication between the employees, the representatives and the company, so that we are aware of their concerns and expectations, which should allow us to reach agreements that benefit everyone. There are various procedures for informing and consulting with staff and negotiating in the Group, bringing added flexibility to enable us to adopt the most appropriate methods, according to the customs and practices in each location and the legal regulations.

All employees of the parent company and domestic subsidiaries from all of the Group's businesses are covered by industry-wide or company-wide collective bargaining agreements, which as a whole are generally applicable to all workers. At the international level, it is worth highlighting the collective negotiations that are carried out on different matters (remuneration, working hours and time, etc.) in different countries (Algeria, Brazil, Chile, Mexico, New Zealand, Poland, United Kingdom and Italy), thus reaching 84% of the CAF Group staff.

Additionally, with the aim of promoting internal communication in a way that is systematic, agile, extended and adapted to current habits, several initiatives have been carried out throughout 2019.

The general internal communication guidelines have been defined for all the companies and activities that make up the CAF Group in order to ensure consistency in internal communication, thus guaranteeing that all people have relevant up-to-date information and that there are fluid and constant interactions, both in person and indirectly, at all levels of the organization. These guidelines define the main lines of internal communication to be followed by all activities in minimum common channels and content. This is the beginning of a process in which each company and/or activity of the CAF Group will gradually have a Communication Plan and will carry out at least quarterly monitoring of the degree of progress in the execution of the Communication Plan, identifying deviations and including corrective actions if necessary.

In addition, in order to facilitate channels and ways to ensure that there is a smooth interaction and that each person in the organization has constantly updated information, in 2019 the CAF Group App was developed. It is available to all CAF employees and allows them to access relevant information at any time and from anywhere. It is a dynamic tool, which will evolve, incorporating new functionalities, in order to facilitate communication and enrich the work environment.

Furthermore, giving continuity to the initiative launched last year, progress has been made in the corporate deployment of the Organizational Health Studies, having been carried out in all national and international subsidiaries of the Vehicle activity. For the coming year, action plans will be defined based on the results obtained and deployment in other activities will continue. In addition, various actions are being carried out to promote direct communication, such as the annual face-to-face meetings in which the monitoring and results of the Strategic Plan and the Management Plan are shared with the employees. Following these activities, workers' opinions are being collected by launching surveys.

### Attracting talent

In CAF, talent management is a key factor in the organization's success. Therefore, attracting, developing and retaining talent are critical phases for the company. As a global company, we have a specific recruitment procedure that is part of the people management process, defining a common corporate framework for recruitment and internal mobility, composed of an initial phase where the Recruitment Plan is approved, a selection process that can be internal or external, hiring and, finally, the induction plan. Through this process, we ensure equal employment opportunities.

The activities currently performed by CAF to ensure that we have adequate resources in our various operations in each geographical area, include the following: attending job fairs, at home and abroad, open-door days and advertising job vacancies on various employment platforms or on the corporate portal. It is also worth noting the participation of CAF in initiatives such as "Be Basque Talent Network" in Paris or "Gipuzkoa Talent" in Gipuzkoa, aimed at contacting professionals who are working abroad and who wish to continue developing their professional career in the companies that make up the Basque science and technology network.

Thus, in 2019, the plan to incorporate resources to respond to the growth initiatives of the different activities has been continued. The average number of employees in the Group in 2019 was 12,484, and at December 31, 2019 the number of employees was 13,179<sup>7</sup>. Thus, the CAF Group increased its average workforce by 2,854 people during 2019 and by 1,746 by the end of the period. The effect of the incorporation of Euromaint into the Group should be highlighted, as it has a staff of 990 people at the end of the year.

<sup>7</sup> The data have been obtained from the information systems of each company. To carry out those activities that the company has decided have to be performed by subcontracted staff in its facilities, CAF follows the method of signing service provision agreements, defining the types of activities to be performed. CAF oversees the subcontracting activities and does not believe it is necessary to record the statistics related to subcontracted staff, as it does not deem them to be significant. Therefore, the information regarding subcontracted staff that is required by sections 102-8 and 102-41 of the GRI Standards has not been included in this document.



#### CAF Group Workforce

	31.12.2019	31.12.2018	Changes
University Graduates	4,015	3,634	▲ 381
Middle Managers and Administrative Staff	2,194	1,906	▲ 288
Production and Services	6,970	5,893	▲ 1,077
<b>Total</b>	<b>13,179</b>	<b>11,433</b>	<b>▲ 1,746</b>

The main company's workforce at the end of the period stood at 4,314 and in average terms at 4,301.

#### CAF, S.A. Workforce

	31.12.2019	31.12.2018	Changes
University Graduates	1,205	1,155	▲ 50
Middle Managers and Administrative Staff	657	589	▲ 68
Production and Services	2,452	2,531	▼ 79
<b>Total</b>	<b>4,314</b>	<b>4,275</b>	<b>▲ 39</b>

Changes in staff levels have been consistent with levels of turnover, enabling us to cover ongoing projects in each of our various operations and addressing the challenges set in our established plans.

The distribution of employees is detailed below, according to representative diversity criteria: gender, age and country.

#### Distribution by Age

(% of workforce at the end of the period)

	2019	2018
Aged under 30	15%	15%
Aged between 30 and 50	69%	72%
Aged above 50	16%	13%
<b>Total</b>	<b>13,179</b>	<b>11,433</b>

#### Distribution by Gender

(% of workforce at the end of the period)

	2019	2018
Male	85%	85%
Female	15%	15%
<b>Total</b>	<b>13,179</b>	<b>11,433</b>

#### Distribution by Region

(% of workforce at the end of the period)

	2019		2018	
	% Region	% Country	% Region	% Country
<b>Europe<sup>8</sup></b>	<b>88%</b>		<b>85%</b>	
Spain		50%		55%
Poland		18%		20%
Sweden		8%		-
United Kingdom		5%		5%
Rest of Europe		7%		5%
<b>America<sup>9</sup></b>	<b>9%</b>		<b>12%</b>	
Brazil		3%		4%
Mexico		2%		4%
United States		2%		3%
Rest of America		2%		1%
<b>Rest of the World</b>	<b>3%</b>		<b>3%</b>	<b>3%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>8</sup> In Europe, the main countries are Spain, Poland and the United Kingdom, which account for 94% of the region.

<sup>9</sup> In the Americas, the most relevant countries are the United States, Mexico and Brazil, which account for 85% of the continent.

In this same area, voluntary rotation<sup>10</sup> among the Group's employees is 5.4% in 2019.

### High-quality employment

High-quality, stable employment is something to which CAF is committed. The experience and knowledge of our employees are among the key factors that have enabled CAF to gain a competitive position in all of its current activities. The percentage of permanent employees in the CAF Group at the end of the year was 89%. This percentage rises to 87% among women. From a geographical perspective, all the countries in which the CAF Group has a significant presence, have more than 86% permanent staff. Similarly, the percentage of fixed staff according to professional classification (employees<sup>11</sup> and laborers) exceeds 88%. Variations in distribution by type of contract are linked to groups or geographies with the greatest growth in the past year. In this regard, permanent employment in the under-30 age group amounted to 71%, 2 percentage points more than last year. With these figures, it is possible to consider the permanent employment in the Group, in the last few years, as stable.

#### Distribution by Contract Type<sup>12</sup>

(Staff at the end of the period)

	2019	2018
Permanent	89%	89%
Temporary	11%	11%
<b>Total</b>	<b>13,179</b>	<b>11,433</b>

However, if we consider the average workforce and taking into account the type of contract<sup>13</sup> and representative diversity criteria: gender, age and professional group, the data are similar and are shown in the tables below.

#### Average Distribution by Contract Type and Age

	2019		2018	
	Permanent	Temporary	Permanent	Temporary
Aged under 30	71%	29%	68%	32%
Aged between 30 and 50	91%	9%	91%	9%
Aged above 50	96%	4%	97%	3%

#### Average Distribution by Contract Type and Gender

	2019		2018	
	Permanent	Temporary	Permanent	Temporary
Male	89%	11%	88%	12%
Female	87%	13%	89%	11%

<sup>10</sup> Total number of voluntary departures/average Group workforce in 2019

<sup>11</sup> The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.

<sup>12</sup> It does not include the distribution of part-time contracts as they are not significantly represented in the Group's workforce

<sup>13</sup> To calculate the average by type of contract, the distribution at the end of the period has been taken as a reference and has been extrapolated by applying it to the average staff for the year.

#### Distribution of the Average by Contract Type and Professional Group

	2019		2018	
	Permanent	Temporary	Permanent	Temporary
Employees	90%	10%	90%	10%
Laborers	88%	12%	88%	12%

These figures at the end of the year are the net result of the employees who joined and left our staff during 2019. In relation to the latter, non-voluntary dismissals account for 2.5% of the total workforce<sup>14</sup>. As for the distribution of these data, 86% are men, 67% are between 30 and 50 years old and 60% are laborers. These data follow the distribution of the Group's workforce considering the diversity criteria.

The process for setting and managing wages in the CAF Group is performed as described in the remuneration management policy that has been defined, which applies to the Group. The aim of this corporate standard is to ensure the appropriate management of wages in terms of internal consistency and competitiveness, and their alignment with the challenges and requirements of our businesses. In this regard, information is available from specialized consultants.

These general criteria are specified in adequate remuneration levels and for this period the average<sup>15</sup> remuneration of employees<sup>16</sup> amounts to €36,355.22 (€34,903.91 in 2018). By professional group, the remuneration of Employees was 20% above the average wage, with the other group being 18% below the average.

#### Remuneration by Professional Group<sup>17</sup>

	2019	2018
Employees	(20%)	(18%)
Laborers	18%	17%

The average wage in the CAF Group according to age reveals a correlation between age and the remuneration received. The group over 50 years of age receives an average salary that is 20% higher than the average, the group between 30 and 50 years of age is 2.5% higher than the average and the group under 30 years of age has a salary that is 32% lower than the average.

On the other hand, the average remuneration of all women working in the CAF Group amounts to €36,247.12 (€34,678.25 in 2018) and is 0.3% lower than that of men.

If we analyze the data by groups, the seniority factor is identified as the origin of the differences in remuneration by gender both in the CAF Group and in its activities in Europe. From this perspective, the wage gap is reduced in the different groups.

<sup>14</sup> This percentage includes dismissals resulting from the termination of contracts, mainly in Brazil and Chile. In 2018, non-voluntary departures accounted for 1.2% of the total workforce, apart from collective departures linked to the completion of activities mainly in Brazil.

<sup>15</sup> All available full-time annual fixed concepts have been taken, corresponding to more than 99% of the Group's total activities. We have used the average exchange rate during the period to convert this.

<sup>16</sup> Excluding specifically mentioned directors and senior managers.

<sup>17</sup> (Average pay - Average pay per group)/Average pay

### General Wage Gap by Gender and by Professional Groups and Duration of Service - CAF Group

	2019		2018	
	Wage Gape by Gender <sup>18</sup>	Difference in Duration of Service <sup>19</sup>	Wage Gape by Gender	Difference in Duration of Service
Employees	15%	33%	15%	27%
Laborers	20%	25%	23%	28%

### General Gender Pay Gap by Professional Group and Seniority - Europe

	2019		2018	
	Wage Gape by Gender	Difference in Duration of Service	Wage Gape by Gender	Difference in Duration of Service
Employees	14%	34%	15%	28%
Laborers	12%	29%	12%	33%

If we analyze the data by age ranges in all ranges, the remuneration of the group of women is higher. On the one hand, in the over-50 age range, women's pay is 1% higher, between 30 and 50 years old 2% higher and in the under-30 age segment it is also 5% higher.

### Wage Gape by Gender and Age

	2019	2018
Aged under 30	(5%)	(14%)
Aged between 30 and 50	(2%)	(1%)
Aged above 50	(1%)	6%
<b>Total</b>	<b>0.3%</b>	<b>1%</b>

These wage gaps are thus due to the asymmetry in the gender distribution of the different groups and locations.

In any event, the current collective bargaining agreements and the regulations on wages that are applicable to the companies in the CAF Group ensure equal treatment when establishing wage conditions, with gender not a consideration.

The wages of the parent company's directors meet the requirement of applying transparency as a listed company. In this regard, the details and individual breakdown of the conditions for the directors appear in the remuneration report drafted for that purpose, which is published in accordance with the current regulations. On the other hand, the total remuneration (in cash and in kind) of senior management is included in the Annual Corporate Governance Report of Listed Companies and the average data cannot be broken down by gender as there is only one woman in the aforementioned group.

Creating high-quality employment also requires the necessary organization of the work in accordance with the specific legislation in each country, the workers' statutes and the collective bargaining agreements. Thus, each company from the Group decides on aspects such as the working day, break periods, calendars, holidays, general leave and leave of absence. Therefore, the policy covers employment relation matters that have been defined and are applicable to the Group. In addition, each company establishes measures aimed at facilitating work-life balance, some of which have to do with regulating the calendar and working hours, which are generally monitored by recording the time of entry and exit.

<sup>18</sup> (Average Men's Remuneration by Group - Average Women's Remuneration by Group) / Average Men's Remuneration by Group.

<sup>19</sup> (Average men's seniority per group - Average women's seniority per group) / Average men's seniority per group.

## ● The training and assessment process as the key strategy for developing professionals

The training process is a basic part of the training activities and this is evident both in the parent company and in all the national subsidiaries linked to its main<sup>20</sup> activities.

In order to ensure that we have an effective and efficient training plan, within the process we have established three large groups of activity that are regularly monitored through a set of indicators. The initial phase consists of analyzing the training needs, incorporating both the vertical and horizontal perspectives of each function in transversal training matters (e.g. occupational health and safety, quality, product safety, regulatory compliance, etc.). When that training plan is approved and disseminated, we start implementing and assessing it at three levels (satisfaction, effectiveness and annual review) to strengthen its alignment with the business priorities and its efficiency.

This process has been reviewed regularly over the years, with a focus on continuous development, integrated into process management in some cases and always according to the needs of each activity.

At the end of 2019, we obtained positive figures for the activity and effectiveness indicators of the training process. At Group level, more than 192,000 hours of training have been received (more than 196,000 in 2018), with each person receiving an average of 17 hours of training, four hours less than in the previous period. This average is higher in the case of laborers who have received an average of 19 hours of training, four hours more on average than employees. In 2018, training hours were distributed equally between the employee and worker groups.

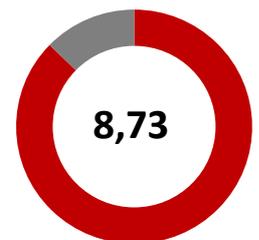
Similarly, the results of satisfaction and the effectiveness of all the training actions exceed the objectives set for the period 2019, standing at 8.73 and 8.10 points, respectively<sup>21</sup>.

Within the same process, the performance assessment is one of the elements that drive the development of people in the organization. 97% of people in both the parent company as well as all national and international<sup>22</sup> companies have been evaluated, following the defined systematic. The distribution of workers evaluated according to gender and professional groups, 96% of women have received an evaluation and 97% of men. Furthermore, 99% of manual workers were assessed in 2019 and 96% of employees.

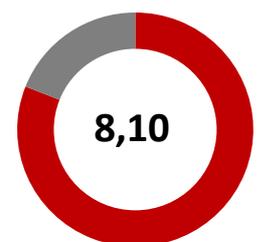
The management process for corporate staff defines a competencies assessment model, for general and technical competencies associated with the job being performed by each person. In addition, university graduates and middle<sup>23</sup> managers are included in an evaluation system through which they are set individual objectives. For 2020, this process will be extended to all of the Group's significant activities.

Along these lines, we should highlight the program to promote leadership developed during the current financial year in the Group's parent company, with which the challenge of proactively and globally managing talent is tackled with the aim of keeping people committed to and aligned with the shared culture throughout their life cycle. The training itinerary is aimed at the group of people who take on the management of teams in CAF, both in the offices and in the factory, and seeks to make them aware of the role they assume and their impact on the organization, as well as providing them with tools that allow them to develop this role in line with current requirements. The training includes programs such as individual development, participative leadership, direct communication, team management and conflict management and problem solving, which will continue to be rolled out over the coming year.

Training Satisfaction



Training Effectiveness



<sup>20</sup> The set of national and international subsidiaries linked to the main activities represent 84% of the total staff of CAF

<sup>21</sup> Data corresponding to sites where the system for evaluating the training received is implemented.

<sup>22</sup> Data corresponding to sites where the performance evaluation system is implemented.

<sup>23</sup> This initiative is deployed at the end of 2019 in the Group companies that represent 59% of the total workforce.

Throughout 2019, the training program relating to aspects of crime prevention and compliance with the code of conduct in all the companies linked to the main activities of the CAF Group, started in the parent company in 2016, has continued to be developed. In this sense, more than 93% of the group included in the training plan has completed it so far.

### ● Internal mobility as a tool for development

As well as being an activity that provides flexibility to meet the needs of the projects in progress, it is considered vital for the development of staff throughout their working life. Worker mobility is an activity that is facilitated through the training programs included in the two-yearly training plan, in addition to unplanned training activities aimed at securing qualifications to assume new responsibilities. Internal mobility processes are common across all of the CAF Group's main businesses.

### ● Equal opportunities and diversity

One of the cornerstones of CAF's commitment to people is to respect diversity and the right to equal treatment and opportunities for men and women, as indicated in CAF's Code of Conduct, our Corporate Social Responsibility Policy and our Diversity Policy. For this reason, the Group actively promotes the absence of any direct or indirect gender-based discrimination and the defense and effective application of the principle of equality between men and women in the workplace, introducing further measures to facilitate the work-life balance.

In this regard, the Collective Bargaining Agreement of CAF, S.A. (for the centers in Beasain, Irún and Madrid) expresses our desire to promote women's access to employment and the effective application of the principle of equality of treatment and non-discrimination in work conditions between men and women.

In the recruitment and selection processes, the same opportunities for entry are guaranteed, maintaining non-discriminatory criteria, through open recruitment to all persons, the use of objective selection requirements and without taking into account situations unrelated to the job. In 2019, the percentage of women incorporated into the CAF Group was 15.3% of the total number of incorporations, contributing to the increase in the presence of women in the Group's workforce. In 2018 this percentage rose to 17%.

Therefore, equal access to training for men and women is ensured, in order to promote career development and adaptability to the requirements of the jobs, improving their internal employability.

The Group is committed to promoting equal opportunities through internal policies and strategy, and to ensuring that employees have equal opportunities to develop their potential. Consequently, we will take appropriate measures and decisions in the event of any action that constitutes or leads to gender-based discrimination.

In order to keep a comprehensive control of these commitments and their respective initiatives, all the companies of the Group comply with the legal regulations regarding the development of equality plans<sup>24</sup> and various management mechanisms have been set up, such as the protocol for action in the event of sexual or gender-based harassment and equality committees, with company and employee representation, to prevent and, where appropriate, resolve cases of sexual harassment and gender-based discrimination in the workplace. For its scope, it is notable that there is an equality commission within the parent company that is responsible for developing, implementing and monitoring the quality plans, analyzing possible measures and actions to help facilitate the work-life balance. This commission carries out an annual diagnosis and monitoring of equality indicators, where the following aspects are analyzed, such as the periodic monitoring of selection processes, the monitoring of staff who request and/or take advantage of the work-life balance measures applied to the group of staff broken down by sex or the monitoring of the system for the promotion of workers and employees.

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<sup>24</sup> 100% of the companies have developed it in the period following compliance with the requirements of the regulation.

Likewise, over the last few years the company has been taking steps in the internal dissemination of the equality plan and the sexual and gender-based harassment protocol through the usual means and promoting the use of equal and inclusive language in both internal and external communications.

The principles of non-discrimination and equal opportunities in the CAF Group are outlined in the Code of Conduct. Within this framework, in 2019, as in the previous period, no cases of discrimination have been detected in the CAF Group.

In order to promote diversity, CAF respects universal accessibility by considering criteria that ensure that their working environment and the products that we manufacture respect human diversity and they are safe, healthy, functional, easy to understand and aesthetically pleasing.

Accessibility to CAF's physical environments is facilitated by ensuring that all new investment in industrial buildings and services, and the adaptation and fitting out of our facilities and general services comply with the regulations and standards on site accessibility.

In terms of the accessibility of products and services, from the design phase CAF prioritizes their accessibility to ensure universal usability for everyone. It must be possible for people with disabilities to use the designs, without any special adaptations or modifications.

Every product manufactured by CAF is designed to meet, and in some cases exceed, the accessibility requirements stipulated in the regulations of each country where contracts are awarded, and the requirements established by European reference standards.

In the case of rolling stock manufactured by CAF, we meet the requirements stipulated in the European Union's Technical Specifications for Interoperability and Accessibility for people with reduced mobility from 2014. As for city buses, they are manufactured in accordance with the specifications set forth in annex IV of Directive 2007/46 establishing a framework for the approval of motor vehicles, recently amended by Regulation (EU) 2017/2400. These provisions include the requirements outlined in Regulation No. 107 of the Economic Commission for Europe of the United Nations (UNECE) regarding uniform provisions concerning the approval of category M2 or M vehicles, with regard to their general build and, specifically, their accessibility for passengers with reduced mobility.

CAF's extensive experience in developing accessible projects allows us to offer outstanding quality in this regard, guaranteeing their simplicity, so that any passenger will be able to cope on our transport without needing previous experience; usability, the vehicles have adequate signs for entrances and mechanisms to allow all types of passengers to use them; and ease of use, physical capabilities do not determine the user's experience.

With regard to the accessibility of information, CAF is firmly committed to the accessibility of its website and wants its contents to reach as many users as possible, regardless of their disability. It uses standard technologies established by the W3C and follows the WAI 1.0 Accessibility Guidelines. The use of web standards established by the W3C, such as XHTML 1.0 Transitional for valid semantic markup and cascading style sheets (CSS) for design, allow the website to be correctly viewed on different devices and platforms as well as allowing the its content to be adequately printed.

Finally, it should be noted that the CAF Group complies with the provisions of legislation on the rights of persons with disabilities and their social inclusion in each country. This is done by directly hiring workers with certified<sup>25</sup> disabilities, together with the adoption of alternative measures set out in current legislation.

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<sup>25</sup> To comply with legal obligations in this area, in addition to alternative measures, CAF has 100 certified disabled people on its staff.

## ● Respecting human rights

In addition to committing itself to the strictest respect for the legal system in force in all the territories where it carries out its activities, CAF includes in its Code of Conduct and Corporate Social Responsibility Policy its commitment to the adoption of measures which guarantee the scrupulous respect of fundamental rights, the principles of equal treatment and non-discrimination, as well as any other principles included in the Universal Declaration of Human Rights and the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

The CAF Group adopts the measures that it considers necessary to ensure that the workers are able to exercise their rights of freedom of association and collective bargaining in all countries where it operates. Furthermore, it implements the necessary measures to prevent child labor, forced or compulsory labor or assigning hazardous work to young people, both in its own operations and upstream. In this sense, in application of the declaration against slavery and human trafficking of the Modern Slavery Act approved in 2015 in the United Kingdom, CAF publishes a yearly report on the commitments and measures implemented for the prevention, and if necessary the elimination, of the practices in CAF, as well as in its supply chain.

The risks inherent in these commitments that could potentially endanger the fulfillment thereof have been identified: (i) violation of the principle of equal treatment and/or discrimination in the workplace; (ii) lack of freedom of association and collective bargaining in own and/or third party centers; (iii) child exploitation in own and/or third party centers; (iv) forced labor in own and/or third party centers; (v) violation of the rights of indigenous peoples; (vi) psychological abuse; (vii) insufficient integration of disabled people.

The impacts derived from these risks could result in sanctions related to work safety and violation of human rights in addition to the deterioration of the image or reputation of the CAF brand due to the media coverage of these violations. This initial impact is felt in the short term, but the other impacts have a medium-term effect as they occur more gradually.

The Corporate Social Responsibility Policy, the Group's Code of Conduct, the Supplier Code of Conduct, the Protocol for the Prevention of Psychological Harassment and the Manual for the Prevention of Crimes specify the basic principles of action, procedures and controls required to address issues related to respect for human rights, as set out in chapter "2.3 Business Ethics and the Prevention of Fraud and Corruption".

In particular, all third parties are required to enter into contracts with CAF Group companies, to scrupulously respect the law, human rights, public freedoms and fundamental rights, the principles of equal treatment and non-discrimination, protection against the exploitation of child labor and any other principles set out in the Universal Declaration of Human Rights and the United Nations Global Compact on Human Rights.

As a complement to the above, there is a risk control and management system with a corporate scope that integrates the previously detailed risks and provides a sequence of activities aimed exclusively at managing them. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

As part of the ongoing development of this risk management and control system, human rights risk management and control is included.

In this context, human rights due diligence measures have been taken in the year 2019, without identifying as of the date of this report any violation of the human rights resulting from the CAF Group's participation in any project. These measures are in line with the international reference guidelines.

Likewise, during the present year no case of human rights violations has been processed among the workers employed directly or through business relations by the Group.

The CAF Group has carried out dissemination and training activities relating to the commitments adopted in this area, with the people who are part of the Group's workforce. 93% of people included in the training plan established for this purpose have undergone the training.



Additionally, the CAF Group is committed to maintaining the highest standards of professionalism and integrity in its commercial relations. Specifically, within the supplier assessment process for CAF's main business, we monitor compliance with the Code of Conduct at home and abroad, as described in greater detail in the chapter "*3.4 Responsible supply chain*".

## 4.2 Occupational risk prevention

[MA 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9]

The Occupational Risk Prevention Policy, approved by CAF's Board, expressly declares its firm commitment to maintaining and improving the risk prevention system to ensure compliance with current legislation, assuming responsibility for protecting workers from occupational risks.

This Policy integrates prevention management into all of the company's activities and decisions, for technical processes and the organization of work and the conditions under which this is performed, promoting its integration at all hierarchical levels: Directors, Managers, Workers and Union Representatives. The necessary human and material resources are provided to achieve the objectives.

The integrated prevention and environmental policy applicable to the main activities<sup>26</sup> is maintained, in addition to the occupational risk prevention policies of the other main subsidiaries<sup>27</sup>.

To meet the objective of having no accidents and improving the occupational health and safety conditions, in addition to the above policy, CAF has implemented and is promoting the extension of an occupational risk prevention management system. This system is structured for the development, implementation and oversight of a series of activities which, as a whole, constitute an entire methodology for the prevention of work-related accidents, occupational diseases and damage to property. The management system establishes the management principles and the system's procedures and processes outlining the preventive actions.

In the area of occupational risk prevention, the Group has assessment and monitoring certifications and mechanisms that exceed the legal requirements in each country where the Group is present.

Along these lines, in 2019 the maintenance audits of the Management System certificates based on the requirements of the OHSAS 18001:2007 standard were carried out for the Beasain, Irun and Zaragoza plants, and for the subsidiaries CAF T&E, CAF Signaling, CAF Chile and CAF Italy. Furthermore, with a view to performing the internal monitoring of the management system that has been implemented in accordance with the requirements of the standard, we have performed internal audits in each of them.

With a view to extending CAF's occupational risk prevention management system to the remaining Vehicle and Bus manufacturing plants, internal audits have been carried out at all of them, where the situation regarding the implementation of the management system has been analyzed and actions and objectives have been established at each of them, such as, for example, certification of the management system at all Vehicle<sup>28</sup> manufacturing plants and of the Solaris Bus & Coach management system based on the ISO 45001:2018 standard for 2020.

CAF's occupational risk prevention management system is structured for the development, implementation and oversight of a series of activities which, as a whole, constitute an entire methodology for the prevention of work-related accidents, occupational diseases and damage to property. The management system establishes the management principles and the system's procedures and processes outlining the preventive actions.

Risk assessment for the Health and Safety of the workers is the process aimed at calculating the extent of any risks which it has not been possible to avoid, thus obtaining the necessary information to adopt preventive measures. After identifying the safety, health, ergonomic and psychosocial risks for each workplace, job and activity, they are assessed. When the result of the assessment reveals hazardous situations, preventive and corrective measures are proposed and measures are taken to eliminate or reduce risks by acting at origin, organizational action for collective protection, individual protection or training and informing workers or a combination of all or some of these actions. For this purpose, the hierarchy to be established for proposing

<sup>26</sup> Vehicle, Rail Services and MiiRA activities

<sup>27</sup> CAF T&E, CAF Signaling, CAF P&A, Solaris Bus & Coach

<sup>28</sup> CAF France, CAF USA, CAF Mexico, Trenasa and CAF UK

control measures is as follows, in this order: elimination, replacement, engineering controls, signs/warnings and/or administrative controls and, finally, PPE.

The significant activities that are part of the management system include the investigation of accidents and incidents that have occurred, which has as its aim the adoption of those measures necessary to prevent their repetition through the gathering of information which allows us to establish the facts and the basic causes of the accidents or incidents in question. When adopting the measures that arise from this process, the hierarchy established above is taken into account.

With regard to occupational health services, CAF has its own prevention service for its plants in Beasain and Irún, where it assumes the specialties of Safety in the Workplace, Industrial Hygiene and Health Surveillance, and has its own prevention service for its Zaragoza plant, where it assumes the specialties of Safety in the Workplace, Industrial Hygiene, Ergonomics and Applied Psychosociology, with the rest of the specialties being agreed with external prevention services. Those companies have staff with the skills and qualifications to perform the respective functions, and healthcare services authorized by the competent authority in each case, to ensure a high-quality service while also allowing the workers to use those services.

CAF PA has its own prevention service which covers the specialties of safety, ergonomics and applied psychosociology, while CAF TE, CAF Signaling, Trenasa and CAF Rail Services have an external prevention service for all specialties.

As for the rest of the international subsidiaries, they have occupational health services in compliance with the legal requirements applicable in each of the corresponding countries.

With regard to health and safety, there is also a social dialog that is managed through the official worker/company committees. The main manufacturing plants of CAF's Vehicles and Bus business, and the subsidiaries CAF T&E, CAF Signalling, CAF Rail Services, each have an occupational health and safety committee, with the participation of the board, the health and safety officers, the prevention service and, where applicable, the people responsible for the activity. These committees are responsible for gathering information from the different operational levels and approving occupational risk prevention plans, involving workers in the development of these plans. Moreover, they make the appropriate decisions and monitor the proposed actions in order to fulfill the set objectives. In other companies, forums have been set up for the consultation and participation of workers, serving as a channel of communication with the parties concerned, through which proposals and relevant topics of interest are put forward. These mechanisms make it possible to represent 90% of the Group's total employees in the field of occupational health and safety.

## ● Occupational Risk Prevention Plan

The Occupational Risk Prevention Plans that are implemented every year define the preventive activity program and the yearly occupational risk prevention targets.

In terms of accident rate targets, 3 main indicators are measured: the frequency index, the severity index and the absolute frequency index. The following table shows these indicators<sup>29</sup> of the most significant national and international operations of the CAF Group, in addition to the number of cases relating to occupational diseases identified.

<sup>29</sup> The indicators for 89% of the total staff of the CAF Group are included. The number of hours worked in the specified group totaled 18,671,821. Taking into account the gender distribution of the workforce, it has been possible to estimate the hours worked by gender, and therefore the statistics are presented broken down by these indices.

CAF Group				
Occupational risk prevention in figures	2019			2018
	Male	Female	Total	Total
Frequency Index <sup>30</sup>	23.41	4.1	20.89	20.40
Severity Index <sup>31</sup>	0.51	0.17	0.47	0.42
Absolute Frequency Index <sup>32</sup>	86.74	28.69	79.16	78.69
Occupational Disease Rate <sup>33</sup>	11.74	0	10.19	10.28

Information regarding work-related injuries during the last year is detailed below for the same group.

CAF Group				
Occupational risk prevention in figures	2019			2018
	Male	Female	Total	Total
Deaths as a result of a work-related injury <sup>34</sup>	No.		0	0
	Rate		0	0
Serious work-related injuries (excluding deaths) <sup>35</sup>	No.		0	2
	Rate		0	0.12
Notable work-related injuries <sup>36</sup>	No.	1,408	70	1,478
	Rate	86.74	28.69	79.16

A common staff-related indicator in organizations is the absenteeism rate. This indicator measures the hours lost compared to the theoretical hours. This year the rate was 4.6% at corporate level<sup>37</sup>. In 2018, this indicator stood at 4%<sup>38</sup>.

Based on collaboration with social agents and social dialog on health and safety, with the aim of reducing accident rates and improving working conditions in plants, we establish various lines of action, which are included in the yearly occupational risk prevention plan.

Additionally, in the parent company's Occupational Risk Prevention Plans, the health surveillance and promotion guidelines to follow are established. The general aim of health surveillance is to improve the quality of the information regarding exposure to risks in occupational medical records and it focuses on the following lines of action: defining the specific information to be improved and adapting the IT tool to the medical record needs.

As part of health surveillance activities, there are procedures for dealing with situations of pregnancy and breastfeeding, the general aim of which is to adopt a set of measures to protect women and children at work during pregnancy and breastfeeding. Specifically, the risk to the pregnancy or breastfeeding situation to which the working woman is exposed is determined, a medical certification is made attesting whether the conditions of the job negatively influence the health of the worker, the fetus or the infant, and recommendations are established for adaptation, limitation, change of job or the application of the risk subsidy during pregnancy.

Similarly, there are procedures for the occupational adaptation of sensitive workers or those with psycho-physical limitations, which aim to establish the mode of operation for workers who are particularly sensitive to risk factors present in the workplace and those with physical or

<sup>30</sup>  $IF = \frac{\text{Número de accidentes con baja} \cdot 1.000.000}{\text{Horas trabajadas}}$

<sup>31</sup>  $IG = \frac{\text{Número de días de trabajo perdidos} \cdot 1.000}{\text{Horas trabajadas}}$

<sup>32</sup>  $F2 = \frac{\text{Número de accidentes totales} \cdot 1.000.000}{\text{Horas trabajadas}}$

<sup>33</sup>  $EP = \frac{\text{Número de enfermedades profesionales} \cdot 10.000}{\text{Número de trabajadores}}$

<sup>34</sup>  $N^{\circ}$  de Muertes como resultado de una lesión relacionada con el trabajo  $\cdot 1.000.000$   
 $\frac{\text{Horas trabajadas}}$

<sup>35</sup>  $N^{\circ}$  de Lesiones graves relacionadas con el trabajo (excluidas las muertes)  $\cdot 1.000.000$   
 $\frac{\text{Horas trabajadas}}$

<sup>36</sup>  $N^{\circ}$  de Lesiones relacionadas con el trabajo registrables  $\cdot 1.000.000$   
 $\frac{\text{Horas trabajadas}}$

<sup>37</sup> This absenteeism rate corresponds to 82% of the Group's staff and takes into account the hours lost due to occupational accidents or common illnesses. In the case of Euromaint, the data have been integrated since the company joined the Group in July.

<sup>38</sup> This absenteeism rate corresponded to 82% of the Group's staff in 2018 and considered the hours lost due to occupational accidents or common illnesses.

psychological limitations in order to assign them to jobs that are suitable for preserving their health and/or safety and that of others.

In addition to safeguarding the health and safety of its workers, the management system implemented by CAF addresses issues aimed at preventing or mitigating the risks of workers from other companies who carry out their activity in CAF's facilities, and any people who visit CAF's facilities. For this purpose, within the management system, we establish coordination measures and methods with those companies to ensure the application of the regulations on occupational risk prevention and the coordination of business activities with those companies. Similarly, it outlines the steps to take to manage visits to CAF's facilities, in terms of the information provided on hazards and the preventive measures to take.

With regard to the risks that arise from the supply of any equipment and materials that may be included in CAF's manufacturing process, due to its commercial relations with its suppliers, CAF has control mechanisms and procedures to identify and assess those risks and establish preventive and protective measures aimed at reducing or eliminating those risks.

The training given to workers on occupational health and safety stems from the risks identified in the job risk assessments and it is included in CAF's two-yearly Training Plan.

There is a process for training/informing new workers of the risks and the preventive, protective and emergency measures to adopt in the workplace, through an induction plan. Additionally, depending on the tasks to be performed by the worker and the risks to which they are exposed in their job, they are given specific training on occupational risk prevention.

In terms of health promotion activities, we aim to collaborate with the National Health Service to promote healthy eating habits that improve the physical and mental wellbeing of workers. The parent company includes these activities in the yearly Occupational Risk Prevention Plan and reports on them at the meetings of the Occupational Health and Safety Committees. The activities that are promoted are grouped into promoting healthy eating and physical exercise, preventing infectious diseases, health checks and training and information in the area of first aid, health and ergonomics. In this regard, we should add that the rest of the Group's subsidiaries are also undertaking activities to promote health with campaigns that aim to promote and provide guidelines to ensure that workers acquire healthy living habits both at work and in their personal lives.

In addition, in 2019, a project of preventive culture has been implemented in CAF's main plants in Beasain, Irun and Zaragoza. This challenge consists of integrating the prevention of occupational risks into the company's culture in order to reduce and prevent accidents at work and generate a safe and healthy working environment. To this end, the aim is to promote the evolution of safe behavior by people and the involvement of the entire organization in preventive management.

As part of this project, in the first phase, throughout 2019, a diagnosis has been made to ascertain the current situation of preventive culture in CAF, to subsequently propose a plan to improve and develop preventive culture. After the diagnostic phase, an action plan will be addressed in 2020, focusing on strategic axes that will pursue the objective of improving the company's preventive culture.

# 5

## CONTRIBUTING TO PROTECTING THE ENVIRONMENT

*"CAF carries out its activity under the premise of minimizing negative environmental impacts and preventing pollution, promoting research, development and innovation to improve processes and providing training for its employees and professions on appropriate environmental management and optimum management of natural heritage."*

*CAF's Corporate Social Responsibility Policy*

*December 29, 2015*

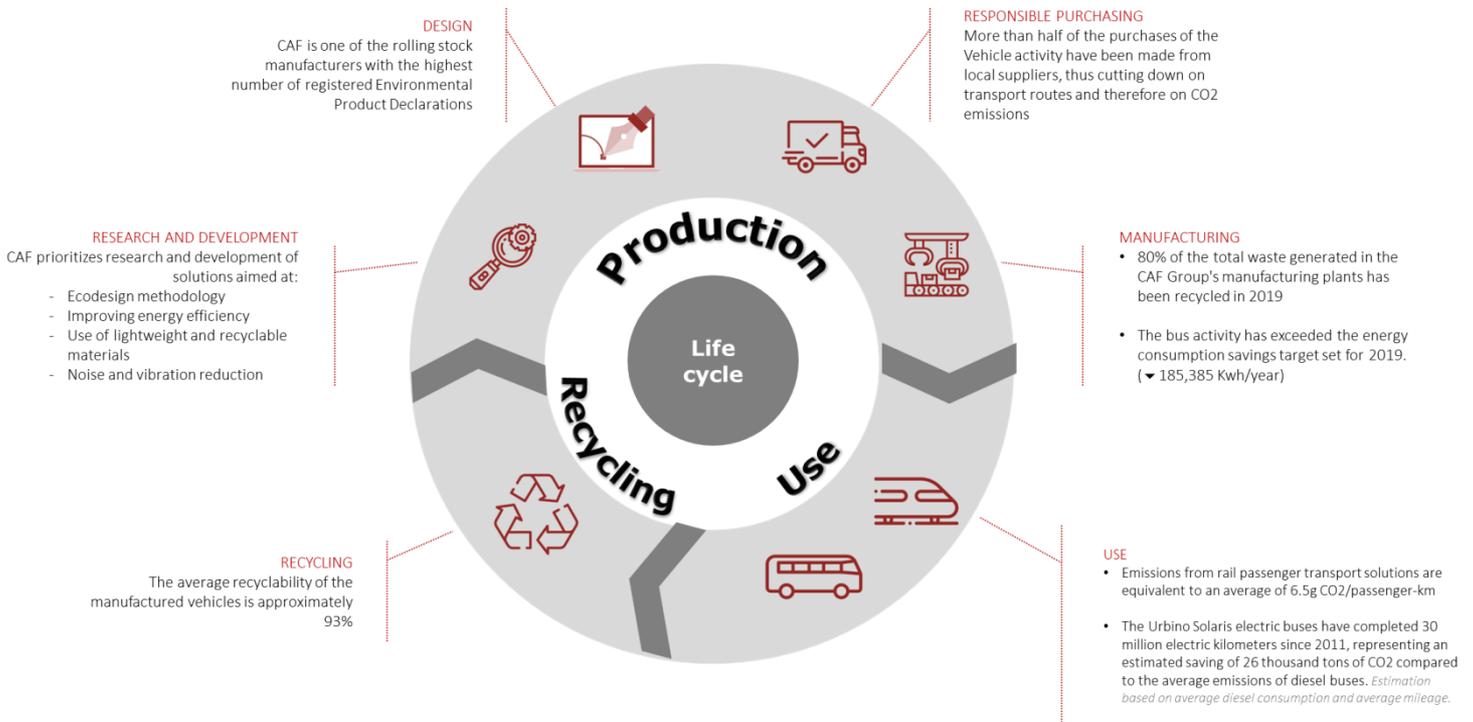
### 5.1

Sustainable mobility and eco-efficient products

### 5.2

Environmental footprint of operations

Given that CAF is aware that the development of its industrial activity causes effects on the environment, it integrates the life cycle approach into its management as a pillar of sustainability. As shown in the image below, the phases that make up this cycle are research and development, design, responsible purchasing, manufacturing, use and finally, recycling of the product. In this way, CAF supports the change towards a resource-efficient economy<sup>39</sup>.



As an organization, CAF sets itself the goal of combating climate change and protecting the environment, primarily in two ways:

1. **Providing more efficient and environmentally friendly means of transport.** To do this, the Group harnesses and coordinates its product and technology innovation initiatives within a corporate Innovation Strategy aimed at aligning our technology and product/service development activities with the company's main strategic challenges, to develop and offer efficient, affordable and eco-friendly solutions for our clients, whilst ensuring that we are competitive at the same time.

*Chapter "5.1 Sustainable mobility and eco-friendly products."*

2. **Preventing the environmental impact of all of the industrial activities performed.** As indicated in CAF's Environmental Policy, the activities performed are aimed at adopting the necessary and financially viable measures to control and minimize any significant environmental aspects, such as atmospheric emissions, the generation of waste and energy consumption, among others.

*Chapter "5.2 Environmental footprint of operations."*

In these two areas, we have identified the following environmental risks associated with the products and services offered and the industrial activities carried out by the company: (i) use of polluting materials; (ii) non-optimization of consumption of energy and natural resources (electricity, fuel, water, etc.); (iii) impact on water sources; (iv) impact on biodiversity; (v) polluting emissions including greenhouse gases; (vi) generation of waste; (vii) environmental impact of products and services in the development of technology; (viii) generation of excessive environmental noise; (ix) failure to comply with requirements set out in customer specifications;

<sup>39</sup> Icons made by "Freepik", "Mavadee", "Eucalypt" and "Alfredo Hernandez" from Flaticon.

(x) extreme weather situations related to climate change; (xi) other environmental impacts related to incorrect management of waste and products in production and/or by machinery.

The impacts derived from these risks are concentrated in fines and inspections related to non-compliance with environmental laws, irreversible damage caused to the ecosystem and its effect on society, in addition to the additional cost in CAF Group operations due to the adverse effects of climate change. These impacts have a direct effect in the short term, but the latter two impacts may be felt in the medium term given that environmental impacts endure over time. In this line, it should be noted that, as in 2018, there are no provisions or guarantees for environmental risks, as there are no litigation or contingencies relating to the protection and improvement of the environment or environmental pollution events.

Contextualizing these risks, the Group has established an environmental management system with the aim of improving environmental performance, complying with legal requirements and achieving environmental objectives. This system is based on the ISO 14001:2015 reference framework.

This environmental management system has an Environmental Policy and the Manual for the environmental management system which establish the management principles, the management system procedures and the records in which completed actions are documented.

Likewise, there is an Environmental Committee, in which the Management takes part, meeting periodically, and which acts as an environmental manager, coordinating and promoting all the actions that are necessary to achieve and improve environmental performance.

In addition to this framework, there is a corporate risk control and management system, which integrates the above risks and provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

## 5.1 Sustainable mobility and eco-efficient products

[201-2]

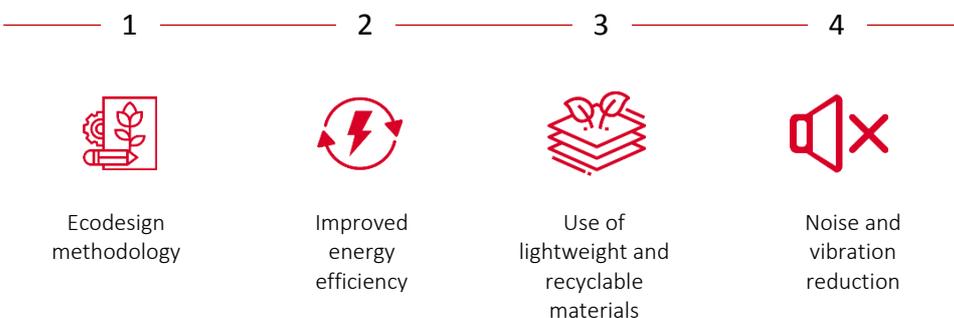
Public transport systems (rail and bus) have great ecological advantages, and a huge potential to reduce environmental impact, improve the quality of life of citizens and actively contribute to the protection of the ecosystem<sup>40</sup>.

- Gas emissions that contribute to the greenhouse gas effect (GHG) caused by transport increased by around 20% between 1990 and 2013 in the EU. Currently, transport makes up almost 23% of global CO<sub>2</sub> emissions, of which those from rail make up just 0.7% of global emissions.
- Through the "2011 Transport White Paper", The European Commission imposes a target of 60% reduction of CO<sub>2</sub> emissions for the period between 1990 and 2050. This means that a special effort is necessary in the coming years to reduce those emissions.
- With the growing trend towards urbanization, there are ever increasing problems with air quality in cities, where the authorities are frequently taking steps to restrict access for private vehicles.

As environmentally friendly means of transport, the rail and bus sectors can make a significant contribution in the fight against climate change.

Against this backdrop, CAF is prioritizing activities aimed at improving the energy costs of the transport and providing highly efficient alternatives for mobility, establishing the pathway towards a sustainable, clean, eco-friendly and emissions-free future. Thanks to this, the emissions corresponding to rail passenger transport solutions are equivalent to an average of 6.5g CO<sub>2</sub>/passenger-km, which confirms that CAF's solutions are among the most efficient in the mobility transport sector.

The main lines of action are as follows: 1) Ecodesign methodology, 2) Improved energy efficiency, 3) Use of light and recyclable materials, 4) Noise and vibration reduction<sup>41</sup>.



<sup>40</sup> UNIFE (Association of the European Railway Industry). International Energy Agency

<sup>41</sup> Icons made by "Eucalypt", "Good Ware", "Nhor Phai" and "Catalin Fertu" from Flaticon.



## Eco-design methodologies

CAF has been actively involved in developing and implementing methodologies aimed at transforming the industry's environmental performance. For example, our participation in the "Life Cycle Assessment Topical Group" of the European Rail Supply Industry Association (UNIFE), geared towards establishing optimal methods for implementing the legislative and regulatory aspects relating to the environment in the various processes that define the life cycle of a product.

With the aim of offering more efficient and environmentally-friendly means of transport, CAF is involved in implementing the Product Sustainability Function by introducing eco-design methodologies in engineering processes to optimize and control the environmental impacts of products, from their conception and throughout their life cycle.

### Highlighting the environmental footprint

CAF determines the environmental footprint of its products using life-cycle analyses (LCAs). Based on this information, CAF presents environmental product declarations (EPD) to its clients.

CAF produced the first verified environmental product declaration (EPD) in the world for a tram in 2011, in accordance with standard 14025, for the Urbos Tram for the city of Zaragoza. This environmental impact assessment of the Zaragoza Tram was quantified using a Life-Cycle Analysis (LCA) in accordance with standards ISO 14040 and ISO 14044. Since then, CAF has continued to certify products in various segments (trams, metro and regional trains), and we are one of the producers of rolling stock with the highest number of EPDs currently registered.

### List of EPDs obtained by the CAF rolling stock unit:

- URBOS 100 tram for the City of Zaragoza
- URBOS AXL for Stockholm Lokaltrafik A35 Tram Units
- CIVITY EMU regional electric train for the Friuli - Venezia Giulia region
- URBOS AXL for Stockholm Lokaltrafik A36 Tram Units
- Metro Units M300 for Helsinki Metro Transport
- URBANS 100 tram for the city of Kaohsiung



## Improved energy efficiency

Improving the energy efficiency of our products and services is a priority challenge for CAF. Some of our initiatives in this area include:

### Energy recovery during braking

Energy recovery in braking is an essential part of the operation of rail and trolley bus networks, as it helps to optimize operations and achieve high efficiency rates. CAF trains and Solaris trolleybuses are specifically designed to give regenerative braking priority over rheostat and friction braking. In this way, the energy recovered in the braking process is returned to the catenary, which can then be used by another train/trolley bus or returned to the power grid.

### High-efficiency traction systems

CAF trains, electric buses and trolley buses from Solaris are equipped with systems to obtain the maximum performance from the energy consumed while driving, both in acceleration and braking and even in relation to signaling and interlocking. In this sense, using highly efficient traction systems allows us to minimize energy losses and optimize consumption.

CAF has implemented a technological initiative that has led to a variable flow engine solution. This solution maximizes the performance of the power train, with the design of control strategies that minimize losses in traction engines. Engine flows are actively managed based on the operating conditions (torque, speed, drift, etc.) required of it.

Another new technology that CAF is starting to introduce in both trains and buses, to maximize the efficiency of the traction system and reduce energy losses, is SIC (silicon carbide transistors) technology.

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## Lower energy consumption

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In order to achieve the maximum reduction in energy consumption, comprehensive measures are required that also cover the auxiliary equipment of the train and buses, the monitoring of their operation and their conservation status.

- **Management of energy consumption when stationary**

To reduce energy consumption during stops, another of CAF's priority objectives, the correct status for each piece of auxiliary equipment is first established. Monitoring carriage by carriage rather than train by train means that only the equipment from certain units has to be activated, according to the necessary requirements at any given time. This measure results in significant energy savings.

Also the introduction of the "Start/Stop" system to the bus, allows a significant reduction in fuel consumption and therefore CO<sub>2</sub> emissions.

- **Management of energy consumption in service**

To reduce energy consumption in service, CAF introduces strategies which combine the use of different energy sources, each operating at its optimum operating point, minimizing losses and taking advantage of energy flows. In addition to the most advanced technologies for air conditioning systems (heat pumps, etc.) and auxiliary systems, the strategies defined allow the maximum use of the regenerated energy by avoiding its dissipation in the form of heat.

- **HVAC in optimal conditions**

HVAC systems require a substantial power supply to operate. In order to reduce this consumption, CAF uses the most efficient refrigerants and takes measures to optimize the climate conditions of the train and bus. To reduce energy losses due to the transfer of heat between the inside and the outside, the design of our trains seek to minimize their thermal conductivity, thus ensuring highly effective insulation.

Additionally, electric trains and buses can be equipped with a new solution for thermal comfort in the cabin, which is an air conditioning system with a "heat pump" function. It is currently the most efficient HVAC system operating with natural, non-toxic refrigerants.

- **Modular & customizable accumulation systems**

CAF's accumulation systems are modular and customizable. This allows us to optimize the accumulation solution and loading system to the needs of each client. It allows the necessary storage capacity to be used, ensuring its useful life.

- **Smart BTMS in battery systems**

Controlling battery temperature is a critical parameter affecting battery life. Keeping the battery in too high or too low a temperature has a very negative impact on the battery capacity and the energy available for use. Therefore, the battery temperature control system is of crucial importance. CAF has developed in its products a BTMS (Battery Thermal Management System) with the main task of ensuring optimum control of the battery cooling system to ensure optimum operation to maximize battery life.

- **Auxiliary converter**

In each project the capacity of the auxiliary converter is analyzed, to identify all of the loads that it has to power. This prevents any oversizing that could lead to higher-than-recommended weight and consumption.

### Energy-efficient journey time management

The driving mode has a decisive influence on the energy consumption of the vehicle. The vehicle control system can calculate, in real time, the level of performance that minimizes energy consumption, depending on the characteristics and time of the journey. This information allows driving to be optimized from an energy perspective.

In this area, the solutions available to the CAF Group in the field of Energy Optimized Train Operation should be highlighted: the DAS (Driver Advisory System) solution helps driving to be carried out by minimizing energy consumption and the solution which enables the Energy Optimized Automatic Train Operation - AURIGA solution by CAF Signalling.

### Reducing journey times

CAF's technological developments have introduced new advantages for the general reduction of train energy consumption. Systems such as the Integral Tilt (SIBI) allow trains to run at higher speeds without loss of comfort during the curves of the route and reduce journey times by 30%. Furthermore, the reduction in speed limitations when going along curves reduces the need to modify the speed of trains, which contributes to greater energy efficiency.

## Recyclable and lightweight materials



CAF carefully selects all of the materials it uses in manufacturing, with special focus on their recyclability, because by using them, it avoids using natural resources. Moreover, avoiding using irreversible joints between parts made from different materials facilitates dismantling at the end of the train's service life, thus enabling their subsequent reuse.

The design of the trains is oriented to the reduction of mass and weight, an efficient way to optimize the energy demand. These parameters are applied to the body structure of the carriages and all of the equipment and additional components, insulation materials, etc. All of this ensures maximum safety standards.

Using more lightweight and stronger materials helps to reduce traction energy consumption. For this reason, the mass of the vehicle is analyzed at every stage of the manufacturing process, to ensure that it does not exceed the optimal specified weight.

In new designs, we also seek to strike a balance between maximum transport capacity and user comfort. Energy savings are also possible by preparing large passenger areas and optimizing the number of seats per unit.

## Noise and vibration reduction



The main sources of noise on a train are generated by the equipment, wheels and contact with the wind. Apart from the effects on human beings, noise can also have an impact on nature by altering the habitat of animals and ecosystems.

In order to reduce noise emissions, both inside and outside, CAF's technical team analyzes their causes and the most effective measures are taken to minimize them: prior calculations and tests, use of insulating and absorbing materials, aerodynamic shapes, studies on wheel-rail contact and interaction, etc. More specifically, two tools have been developed to minimize the rolling noise generated by trains (CRoNoS) and the vibrations they transmit to their environment (DARDAR), the first of which is internationally relevant. We have also continued to improve the other prediction tools and methodologies used today, including the modeling of PA systems to ensure the effective broadcasting of messages especially for people with reduced hearing.

## 5.2 Environmental footprint of operations

[MA 301, 301-1, MA 302, 302-1, 302-4, MA 303, 303-1, 303-2, 303-3, MA 305, 305-1, 305-2, MA 306, 306-2, MA 307, 307-1]

CAF's commitment to the environment does not stop at developing eco-efficient products; it is incorporated into every aspect of our daily activities.

For this reason, CAF's management is aware that the development of its industrial activity causes effects on the environment, and integrates the environmental policy into the company's general policy, incorporating the principle of environmental precaution by preventing the environmental impact of all activities. It adopts the necessary and economically viable measures to control and, where appropriate, minimize atmospheric emissions, waste generation and energy consumption, in order to preserve natural resources.

In its most relevant Vehicle<sup>42</sup> and Bus activity manufacturing centers, it has an Environmental Management System implemented and certified according to the ISO14001:2015 standard. During 2019, maintenance audits for the ISO14001:2015 certificate have been carried out at the aforementioned plants.

The remaining manufacturing plants are immersed in a plan to implement and certify the Group's Environmental Management Model by the end of 2020. In 2019, internal audits were carried out on all of them, in which the progress of the implementation of the Environmental Management System was reviewed. Other centers such as CAF TE and CAF Signalling have an Environmental Management System implemented and certified based on the same international reference standard.

To monitor and improve these management systems, environmental programs are established with their respective objectives, goals and actions. In this way, the centers specifically control the environmental aspects derived from their activity and minimize the impacts generated, with the aim of continuous improvement.

On the other hand, CAF keeps communication channels open to the outside world in a fluid manner, with the administration, the community and associations, among others.

The measures implemented to control significant environmental aspects and the results obtained during 2019 in the Group's manufacturing plants are summarized below<sup>43</sup>.

### ● Consumption of natural resources

Environmental criteria are incorporated into the purchase of materials for its production processes, with special focus on the selection of reusable and renewable materials.

Most of the purchases made are already processed materials, i.e. components, metal being the most common of these. However, raw materials, all of which are renewable, are also purchased for the manufacture of components. Among these, the most highly consumed materials are specifically metal: steel and aluminum profiles and plates (18,717 t)<sup>44</sup> and steel ingots (57,086 t)<sup>45</sup>.

<sup>42</sup> The manufacturing centers of CAF, S.A. and Solaris Bus & Coach.

<sup>43</sup> The measures and results corresponding to the manufacturing centers are included, representing 97% of the workforce belonging to the CAF Group's manufacturing centers.

<sup>44</sup> These data correspond to the manufacturing centers of CAF, S.A. and Solaris Bus & Coach. In 2018, 10.221 t.

<sup>45</sup> MiiRA figure. In 2018, 54.337 t.

Beyond the acquisition of these materials, CAF, S.A. incorporates in its technical processes materials that contribute to Environmental Sustainability. For example, recycled steel is used to manufacture wheels and axles.

An analysis of the recyclability of the products is also carried out in accordance with ISO 22628. The average percentage of recyclability of the vehicles manufactured by CAF S.A. is around 93%<sup>46</sup>.

Regarding the purchase and use of chemicals, the CAF Group is within the scope of the REACH Regulation and, in turn, requires its suppliers to comply with it. Furthermore, the suppliers of the equipment installed in our trains are asked to abide by the UNIFE's Railway Industry Substance List (RSIL), which lists the materials and substances which are banned by European and international legislation specifically for the rail industry. In addition, information has been transmitted along the entire supply chain of the substances, preparations and articles covered by the REACH Regulation.

The main actions carried out by the Group for a more sustainable use of raw materials are the reduction of product weights in their design, the use of less polluting materials and the reuse of packaging.

## ● Water and effluents

The water used by CAF in the manufacturing process is mainly used for cooling equipment and for the installation to guarantee the watertightness of the trains, using both mains water and river water in accordance with local limitations and limiting the consumption of the latter to its use in closed circuits. The Group is aware that among natural resources water is a scarce good to be preserved and therefore a series of actions have been carried out with the aim of promoting a more sustainable use of it, among which the following stand out:

- Implementing and promoting rational use of water, by installing closed circuits and raising environmental awareness among staff.
- Establishing and monitoring the consumption of all water resources.
- Avoiding collecting water in areas with water stress.
- Performing proper maintenance of the facilities to reduce consumption and our impact.

Water consumption (ML)	2019
Mains water consumption <sup>47</sup>	93.17
River water consumption	54.12

With regard to discharges, CAF has the necessary permits to discharge to sewage systems or watercourses, as appropriate. Additionally, the water discharge parameters are checked and monitored, with improvement targets being set.

<sup>46</sup> Average of the calculations made in Life Cycle Analysis by the organization, both in projects and tenders.

<sup>47</sup> The 2018 data are not comparable, as the scope of the direct and indirect energy consumption data of CAF, S.A. and Solaris Bus & Coach has been extended this year (in 2018), to the locations that represent 97% of the workforce belonging to the CAF Group's manufacturing centers (in 2019). However, for information purposes, the figures for 2018 are given below. Mains water consumption 70,208 (ML).

## ● Energy

As part of the "Strategic Energy Efficiency Programme", the Group has set as its main objectives the promotion of renewable energies, savings in energy consumption generated by its activity and the promotion of environmental policies within the Group and in all the railway networks in which it operates and collaborates.

Fundamentally, and as a result of the energy audit action plans, the measures taken to reduce energy consumption in CAF's plants in 2019 are as follows:

- Replacing the lights with others that are more eco-efficient. In 2019, the parent company will complete the plan to replace outdoor lighting and manufacturing workshops, as well as replacing half of the lighting in its offices, both of which are actions derived from the 2015 Energy Audit Action Plan. The regular energy audit has also been carried out and serves as a basis for the next 2020-2024 action plan.
- Replacement and optimization of key elements in energy efficiency in production processes (motors, heat exchangers, fans, etc.).
- In addition, in offices, actions have been aimed at programming the operation of air conditioning equipment and raising environmental awareness for the rational use of energy.
- Likewise, year after year CAF has been incorporating into the operation of its installations systems to take maximum advantage of renewable energies, a clean and ecological technology, through, for example, the use of solar panels. Thus, during 2019, the parent company has made it possible to generate renewable energy, equivalent to 10% of the annual electricity consumption of the factory, from the solar panels installed on the roofs of the workshops and the hydroelectric power station belonging to the CAF Group.
- The bus activity has managed to reduce energy consumption by 185,385 Kwh/year, thanks to the action plan implemented since 2018, promoting actions such as the replacement of transformers by others with less losses and the replacement of lighting by more eco-efficient alternatives. In this way, the savings target set for 2019 has been exceeded.

Direct and indirect energy consumption (MWh)	2019
Natural gas <sup>48</sup>	129,302
Diesel oil <sup>49</sup>	306
Electric power	59,339
Thermal energy	4,077

## ● Emissions

The main source of direct emissions that contribute towards the company's greenhouse gases (GHG) is the emission of CO<sub>2</sub> from energy consumption. Furthermore, our studies to develop more efficient and eco-friendly forms of transport show that the biggest impact during the life cycle of our products happens during the use phase, mostly associated with energy consumption. Therefore, the Group focuses its efforts on gradually reducing the intensity of its GHG emissions by improving the energy efficiency of its production activities and facilities and researching and developing sustainable transport solutions.

However, regarding the emission of Volatile Organic Compounds (hereinafter VOC's) in 2019, progress has continued to be made in reducing emissions of specific substances. To achieve this, water-based paints are maintained for the painting process of the facilities, thus improving the VOC reduction objective for the coating activity.

<sup>48</sup> The percentage of natural gas consumption for the heating of the facilities represents approximately 20% of total consumption.

<sup>49</sup> Consumption related to material transport equipment in the factory.

In addition, to reduce the emissions generated during transport to the work centers and to encourage sustainable mobility, the main manufacturing center offers a bus service that transports almost 400 people to the work center every day, thus avoiding the annual emission of approximately 2,000 tonnes<sup>50</sup> of CO<sub>2</sub>. In addition, with the aim of encouraging car pooling when traveling to work, a car park has been set up for those traveling to work in this way.

Emissions (t CO <sub>2</sub> eq.) <sup>51</sup>	2019
Scope 1: Fuel emissions	26,322
Scope 2: Emissions from electricity consumption	24,329

## Waste

The Group's aim with regard to the management of the waste produced by its activities is to reduce, reuse and recycle it.

For this reason, it has chosen to follow the "circular economy" approach and, since 2017, it has been signed up to the Circular Economy Agreement of the Spanish Ministry of Agriculture, Fisheries, Food and Environment (MAPAMA). Waste is managed according to the following criteria:

- Reducing the waste generated at source, for example: by using returnable tools.
- Maximizing the reuse, recycling and recovery of waste.
- Promoting awareness-raising campaigns about sorting and minimizing waste. During 2019, 80% of the total hazardous and non-hazardous waste generated has been recycled (54% in 2018).
- Introduce environmental improvements proposed by workers
- Handle and manage waste correctly.

Waste generated (t)	2019
Of which dangerous:	1,226
Recovered	660
To landfill	566
Of which not dangerous:	9,223
Recovered	7,749
To landfill	1,474

<sup>50</sup> Estimate made on the assumption that each worker would individually use his or her own car

<sup>51</sup> The calculation of these emissions is done through conversions of fuel and electricity consumption by emission factors published by the Ministry for Ecological Transition.

# 6

## THE SOCIAL VALUE OF OUR ACTIVITY

*“CAF is committed to the local, national and international community, and carries out and promotes initiatives focused on improving the quality of life of people in the communities in which it operates and in the environment in which its activities are conducted. CAF assumes the objective of becoming involved with the various communities with which it interacts through development cooperation and support for the various benchmark public administrations and public and private entities*

*CAF's Corporate Social Responsibility Policy December 29, 2015*

### 6.1

Economic promotion of the environment

### 6.2

Knowledge generation

### 6.3

Collaboration in the education field

### 6.4

Collaboration with social and/or cultural initiatives

CAF is aware that its activities have a direct and indirect impact on the development of the local communities in which it operates and on the welfare of society in general, through sustainable mobility solutions that are environmentally friendly, as mentioned throughout the report.

CAF is committed to promoting activities that improve the welfare and development of local communities, some of which are inherent to its business activities, such as investing in sustainable transport networks, and others that are part of collaborative and participatory initiatives that fit within one of four areas: the economic environment, knowledge generation, collaboration with educational/training organizations and collaboration with social and cultural initiatives.

In relation to these commitments, in addition to respecting the social, economic, cultural and linguistic environments in which it operates, the following risks have been identified: (i) negative effect of its activities on local communities; (ii) lack of alignment between the CAF Group's social objectives and the different communities; (iii) difficulty in establishing sustainable relationships that will last over time with local communities; (iv) ineffective cooperation with the public authorities and local bodies; (v) lack of respect for social, economic, cultural and linguistic environments.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

## 6.1 Economic development in the community

[102-13, MA 203, 203-2, MA 413]

There is a commitment to the local economy that is expressed on three fundamental levels: the creation and maintenance of local employment, the contribution to the industrial transformation and competitiveness of the territory and the promotion of new business models.

### ● Creation and maintenance of local employment

CAF is committed to supporting quality employment wherever it carries out its activities, both nationally and internationally. This commitment translates into the creation and maintenance of direct employment, by favoring the hiring of local personnel in the geographical areas where CAF operates, as well as indirect employment, by contracting products and services from local suppliers.

An example of the former is that during the financial years 2018 and 2019 more than 90% are local<sup>52</sup>, with the general conditions aligned with the Remuneration and Labor Relations Policies applicable in the Group's companies. In the same vein, the CAF Group also ensures that men and women start on the same initial wages, by applying Remuneration and Labor Relations Policies in the Group's companies. For further details, see chapter "4. The excellence of our team".

With regard to the generation and maintenance of indirect employment, it should be noted that in 2019, the proportion of expenditure made with local suppliers rose to 58%<sup>53</sup> (64% in 2018<sup>54</sup>). Likewise, CAF, through its purchasing process, contributes to these suppliers respecting the ethical principles set out in the Code of Conduct and the Code of Conduct of Suppliers. In addition to cutting transport routes and therefore CO2 emissions, suppliers are helping to reduce the carbon footprint linked to their activity. For further details, see chapter "3.4. Responsible Supply Chain".



"Over 90% of the workers are local."

<sup>52</sup> The data available on the Group's employees are included, with local being understood to mean those located in the same country.

<sup>53</sup> This includes data on purchases made at the Group's relevant locations, which account for 90% of CAF's workforce. For the Bus business, figures have been included since it became part of the Group in September. A supplier is considered local when it is located in the same country.

<sup>54</sup> In 2018, the data on purchases made at the Group's relevant locations were included, which amounted to 85% of the CAF workforce. The data for the bus activity were incorporated as of its integration into the Group in September.

## ● Industrial transformation and competitiveness of the territory

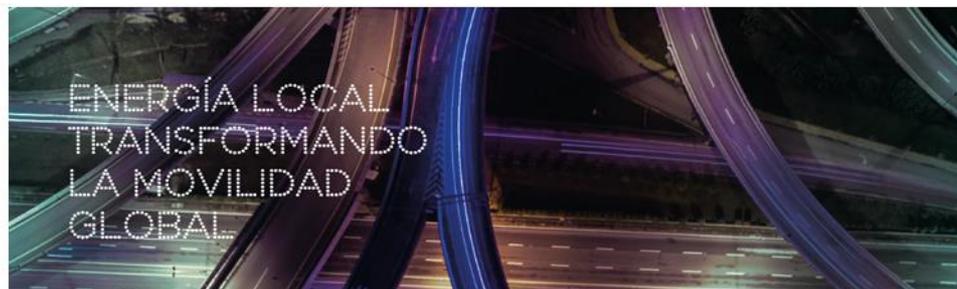
The CAF Group contributes to the promotion of industrial transformation and competitiveness of the territory through collaboration with different intensity and scope with specific initiatives and actions that can affect the economy of the places where it operates on a local and international level.

Among these initiatives, the collaboration at a regional level started more than 10 years ago, which has resulted in the creation of Goierri Valley and the participation in the project by CAF as a driving company and a member of the board of directors with the role of a voting member. Created in 2017 with the vision of being the driving force behind the industrial transformation of the Goierri region, its aim is to promote the development of industry in the Goierri region by encouraging collaboration between companies and other public agents in areas that affect its competitiveness (market and product diversification, innovation and training).



With regard to the activity carried out by CAF in the various challenges set for 2019, the following stand out:

- Challenge 1 Intercooperation network: continuing with the Win&win project, the objective of which is to transfer the knowledge of the tractor companies to the SMEs in order to identify opportunities, we have worked with several SMEs interested in developing their own product that can meet the needs identified by CAF.
- Challenge 2 Collaborative network: CAF is participating in the multilevel organized forums, sharing experiences and needs, to collaborate in solving detected common problems.
- Challenge 3 Strengthening SMEs: within the framework of this last challenge, in addition to participating directly in the activities aligned with the Smart Mobility strategy with several presentations to the companies of the association on the Group's strategy in the mobility sector, participation was made in the 1st Mobility and Energy Congress, organized in the region by Goierri Valley, under the name of Mubizing. Mubizing is presented as a meeting point between companies in the Goierri Valley to encourage connections and innovation, and to attract talent to drive them towards excellence in the Mobility and Energy sectors. CAF, which had its own stand at the congress, also participated in the presentation on the challenges of the future in the electromobility sector and in the Talent Day, where we had the opportunity to approach high school students and CFGM and CFGS students to find out about the job opportunities in the companies in the area.



Though with a different impact, CAF continues to participate in the activities of economic entities with business or sectoral relevance. The following list contains some of the organizations in which it was involved during 2019.

Gipuzkoa Business Association (ADEGI)	New Economy Forum
Spanish Confederation of Business Organizations	Chamber of Commerce
Business Circle	MAFEX Spanish Rail Association
Exporters club	Union Internationale des Transports Publics - UITP
Management Progress Association (APD)	European Rail Supply Association - UNIFE
Federation of Metal Companies of Zaragoza	Railway Industry Cooperation Forum (JBS)

Within these organizations, CAF seeks to represent the interests of the company, while also using its position and drive to contribute elements for the general benefit of all.

## ● Boosting new business models

CAF is strongly committed to helping to boost the socioeconomic conditions and, for this reason, in 2014 it launched the CAF Ventures initiative, with the aim of collaborating with start-ups. This collaboration is materialized through the implementation of open innovation projects and investment.

Through the implementation of pilot projects, the aim is to generate disruptive innovation based on the innovative capacity of the startup and industrial knowledge and experience in the generation of new CAF business models. These projects give the start-ups their first references with a major client like CAF and help them in their commercial development and growth process.

In those cases where the synergies between the start-ups and CAF are deep-rooted, stable relationships are established and closer ties are forged. This allows the systematization of cross synergies and helps to consolidate the growth of the startup.

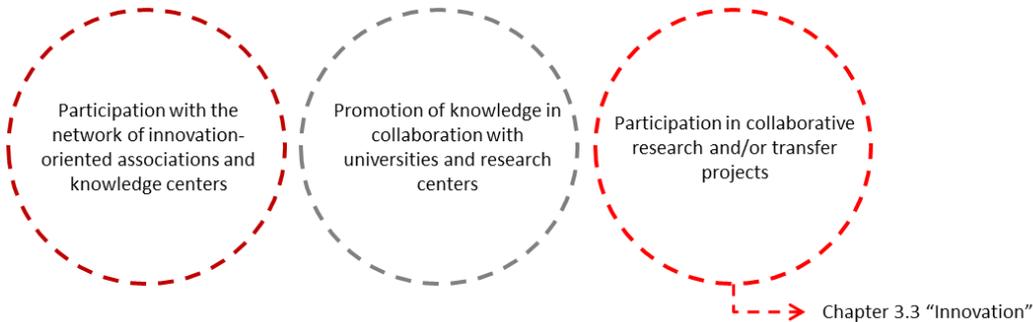
On the other hand, CAF is also a founding member of the BIND4 (Basque Industry 4.0) program, with the main objective of attracting and accelerating startups, promoted by the Basque Government through the development agency SPRI. Within this program, CAF has collaborated with various start-ups in areas such as augmented reality, virtual reality, the internet of things and 3D printing.



## 6.2 Knowledge generation

[102-13, MA 203, 203-2, MA 413]

In addition to participation in collaborative research and/or transfer projects, as set out in section 3.3. Innovation, as in previous years CAF continues to collaborate in the generation of knowledge in its operations through participation with the network of innovation-oriented associations and knowledge centers, as well as the promotion of knowledge in collaboration with universities and research centers. There is a list of some of the activities in this area below.



### ● Participation with the network of innovation-oriented associations and knowledge centers

#### CEIT

CAF collaborates with this technology center, which conducts applied research for industry. CAF is a member of the board of CEIT and participates in its governing bodies as a member of its Strategic Council

#### CiC Nanogune

CAF works closely with CiC Nanogune, a center focused on researching excellence in nanoscience and nanotechnology, sitting as a member of its board of directors.

#### Lortek

Lortek is an innovative research center with great expertise in joining technologies. CAF collaborates with Lortek as a member of its board of directors

#### Tecnalia

CAF is a collaborative partner of the TECNALIA RESEARCH & INNOVATION foundation, a large-scale technology center with a multidisciplinary approach, and it is also a member of its board of trustees and sits on its executive committee.

#### Shift2Rail

Shift2Rail is the first European rail initiative focused on R&D activities and seeking market-driven solutions by accelerating the integration of advanced technologies into innovative rail products.

CAF is a founder member of Shift2Rail and sits on its board of directors.

#### European rail research advisory council (ERRAC)

This is the European technology platform for the rail industry. The European Commission, member states, European Rail Agency (ERA) and all major players in the rail sector take part in this platform, including industry, infrastructure managers, technology centers and universities. The main objective of the ERRAC is to provide the European institutions with a joint vision to guide R&D in the rail sector.

CAF actively participates in the ERRAC's working groups and is also a member of the initiative's steering committee.

#### Innobasque

Innobasque is a private, non-profit association that brings together civil society, businesses,

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scientific and technological actors and the government to promote innovation in the Basque Country, with the following focuses; 1) acting as a driver of social and economic change, to move towards a sustainable Basque Country, 2) building innovative solutions to overcome major challenges, 3) working collaboratively, forging new social ties and generating collaborative models to transform society.

CAF is a member of the board of directors of the Innobasque initiative.

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#### Foundation for the Development of New Hydrogen Technologies in Aragón

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This foundation promotes the development of new hydrogen technologies and, as such, it organizes, manages and implements numerous types of activities related to hydrogen as an energy vector, with the aim of generating, storing and transporting hydrogen for use in fuel cells, transport and distributed power generation.

CAF is a member of the Board of Trustees.

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#### Hydrogen Europe (NEW – IG)

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Leading association representing European industry, national associations and research centers active in the hydrogen and fuel cell sector, working to accelerate the market introduction of this clean technology in the energy and transport sectors.

The CAF Group's Solaris Bus & Coach is a member of this association.

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#### Donostia International Physics Center

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CAF collaborates with this center, devoted to scientific research in the field of basic and applied physics, in areas that serve the interests of Basque society and international scientific development.

CAF is a founder member of the Board of Trustees.

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#### Research and innovation committees

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CAF is a member of various research and innovation committees, such as the one organized by the CEOE or the one promoted by the Chamber of Commerce, which reflect on the situation of research, development and innovation and maintain dialog with the Administration and various bodies and entities with regard to R&D&I activities and policies.

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#### Ikerlan

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Ikerlan is a leading center for the transfer of specialist knowledge in electronics, information and communication technologies; energy and power electronics and advanced manufacturing. CAF collaborates in R&D projects and in the identification of interesting strategic lines of research.

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## ● Promotion of knowledge in collaboration with universities and research centers

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### CAF -Tecnun - CEIT Rail Laboratories

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CAF's partnership with the CEIT technology center and Tecnun Engineering School, both on the University of Navarra's campus in San Sebastian, has been ongoing for decades, resulting in activities such as the development of joint research projects and jointly organizing courses and seminars or teaching assignments. On this latter point, it is worth noting the ongoing presence of CAF engineers among Tecnun's teaching staff.

In June 2001, the first framework collaboration agreement was signed by the three entities - and continually extended since - with the aim of expanding the technological knowledge of the entities involved and improving the preparation of future engineers by establishing the Rail Laboratory. This initiative has been used to coordinate applied research projects, final projects and doctoral theses and adequate facilities and equipment have been maintained to generate rail-related knowledge.

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### CAF Classroom - Mondragon Unibertsitatea (MU)

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For several years, CAF has had an ongoing collaboration agreement with the Mondragón Higher Polytechnic School, in the form of a collaborative research and knowledge transfer program.

Collaboration on the design of teaching programs, participation in teaching and the evaluation of project definition and the design of work experience programs are included within this framework. The whole aim is to ensure that there are relevant studies that are aligned with the actual needs of society, to improve the knowledge and professional skills of the students and, ultimately, to promote the transfer of knowledge.

The Classroom has suitable facilities and equipment to perform these functions.

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### Boards of Cooperative Educational Services of New York

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In the United States CAF USA collaborates with the organization "Boards of Cooperative Educational Services of New York" to identify the changing training needs and develop professional skills.

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### AGH University of Science and Technology of Krakow

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In Poland it is worth highlighting the doctoral thesis that is jointly run by Solaris Bus & Coach and AGH University of Science and Technology of Krakow, which seeks to create conditions for cooperation between the scientific and socioeconomic communities, enabling several employees to complete their doctoral thesis through a tri-party agreement between them, the university and the company.

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## 6.3 Collaboration in education

[102-13, MA 203, 203-2, MA 413]

CAF is committed to the training of future professionals, for which purpose it has established a series of collaboration agreements with educational institutions or organizations, to promote youth employment in the areas in which it operates.

### ● Educational entities and entities that promote employment

#### Domestic

- Alecop	- Deusto University
- San Valero School	- Mondragón University
- Zaragoza University Enterprise Foundation	- University of Navarra (Tecnun)
- Novia Salcedo Foundation	- Zaragoza University
- Goierri Eskola	- University of the Basque Country
- National Institute of Stock Market Studies	- National University of Distance Education (UNED)
- Lanbide	- Polytechnic University of Madrid
- Carlos III University	- Pontificia de Comillas University
- CEU University	- Navarra Public University (UPNA)
- Complutense University	- University of Oviedo
- University of Almeria	

#### International

- EJEMEX	- The Centre for Craft Support, Dual and Vocational Training in Poznan
- Myerscough College	- Tláhuc Technological University
- University of Sao Paulo	- Telecommunication School Complex in Poznań
- Mackenzie Presbyterian University	- Vocational School in Murowana Goślina and Swarzędz
- Western Sydney University	- Yrkes högskolan Syd In Häsleholm
- Poznan University of Technology	
- STEM	
- CSS Workforce NY	

These collaboration agreements allow us to provide access to training programs for CAF's staff, but the main aim is to offer opportunities to make the transition between training and the labor market, through study visits at various facilities of the CAF Group, both local and international.

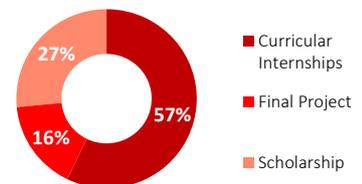
With this aim, in 2019 we offered over 400 study visits to enable students to complete their studies through internships, carrying out their final year projects for bachelor's and master's degrees, and post-graduate activities, thus giving them initial work experience combined with training. Both the parent company and some of the Group's subsidiaries collaborate with the Novia Salcedo Foundation to support young people in their professional integration, with a forward-looking, collaborative approach.

In this sense, visits by students from different educational entities to CAF's plants have also been frequent, as well as CAF's participation in various events such as the "Industria Eguna" organized by Adegí or "Talent Day" promoted by Goierri Valley, the aim of which is to bring students closer to industrial companies and for them to learn about the activity carried out there.

### ● Internationalization grant programs

CAF has a strong commitment to internationalization and is aware of the need to have people with an international profile. We believe it is important to promote this type of profile in society and, for that reason, CAF works together with public bodies such as the Foreign Trade Institute (ICEX) and the Basque Government in their internationalization grant programs, with internships in various CAF facilities abroad in 2019.

"More than 400 stays in the company"



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#### ICEX Grants

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The aim of these grants is to train young professionals who specialize in providing business internationalization services. These grants offer an outstanding opportunity to receive strong, theoretical training in international trade and specialized practical training in the various offices of the Ministry of Trade's Foreign Network, in Spanish companies with international operations or in international institutions.

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#### Basque Government Global Training Grants

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This program offers young people with university degrees and advanced vocational training a powerful mechanism that allows them to participate in paid internships in companies and agencies abroad, in activities and projects related to their academic and professional profile, for at least 6 months.

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#### Basque Government Internationalization Grants

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The purpose of this program is to provide training on internationalization for university graduates so that, in the future, Basque companies and other entities will have a base of professionals who allow them to effectively meet the challenges of the open economy.

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Throughout 2019 there have been scholarship periods at CAF headquarters in countries such as Sweden, Finland, Hungary, the Netherlands, Chile, Mexico, Germany and Arabia, among others.

## 6.4 Collaboration with social and/or cultural initiatives

[102-13, MA 203, 203-2, MA 413]

In addition to all of the above initiatives, CAF collaborates with other public and/or private bodies to support social, knowledge-related and cultural projects that have a positive impact on their local communities.

Below, we have detailed some of the institutions with which CAF actively collaborated during 2019, assisting their development.

### ● Collaboration in social activities

#### SuEskola Foundation

CAF collaborates with this foundation, a center for fire prevention and firefighting that uses innovative technology with real fire.



#### Green Dachshund Foundation

A foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable among us. Its aim is to help vulnerable people and animals in the company's local community by implementing support programs for children and young people, disseminating a culture of animal protection and promoting the volunteering services by involving employees and external stakeholders.



#### Traffic Calendar

Euromaint collaborates with the publishing house Vita Huset AB in the development of the most extensive educational material on trafficking aimed at children. The traffic calendar, which has been active for 19 years in the 19/20 academic year, aims to inspire schools to work with traffic issues as part of learning about sustainable development. Road safety, health and environmental issues are elements that are developed throughout the material.



### ● Health promotion, welfare and sport activities

CAF carries out sponsorship activities mainly at a local level, including sponsorship of events and fairs linked to the sectors of activity in which it operates, sporting activities (popular races, cycling, etc.), collaboration with food bank campaigns and the organization of healthy living events.

Along these lines, CAF participates as a partner in the "FIK" project. A private initiative for interdisciplinary scientific and technological development, led by the Tecnalia technology center, aimed at aging and functional diversity, with the ultimate aim of producing products and/or services that will maximize the personal autonomy, independence, health and quality of life of the elderly and those with functional diversity.



## Promoting culture and linguistics

### Bikain Certification

Promoting the use of the Basque language in the Beasain and Irun work centers, with the achievement of the Bikain certification in the silver category being a highlight. This certificate rewards high-quality management of the Basque language in a professional environment.



### CAF - Elhuyar Award

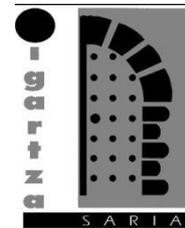
Every year, together with the Elhuyar Foundation, CAF presents the CAF-Elhuyar Award to promote scientific culture in the Basque Country. The aim of these awards is to promote, reward and recognize the publication of scientific and technological papers in the Basque language.



In 2019, on the occasion of the 25th anniversary of the initiative, an award gala was organized at CAF's facilities with the participation of the awards and their friends and family, the jury members and representatives of various organizations as well as CAF.

### Igartza Awards

Founded in 1994 by the city of Beasain, with the support of the CAF company in Beasain and with the help of the ELKAR publishing house, the aim of this initiative is to expand Basque culture and support the work of young writers, through the IGARTZA LITERATURE-CREATION GRANTS grant for new writers. The creators have been rewarded for 22 consecutive years by publishing their books.



### Berbasarea

Occasionally, although there are employees who know or understand the Basque language in a particular department or department, their working relations are in Spanish. Changing this reality, however, is possible. The project called Berbasarea is the process of changing those language habits voluntarily. CAF's first attempt was made with the staff of the Human Resources Labor Relations department. In the first meeting, the participants explained the project and spoke on the basis of the language as the starting point, to see who had the language habits with the others. At the end of the process, the word chart was updated, showing that the use of Basque increased significantly.



# 7

## ADDITIONAL INFORMATION

*"Transparency in the information provided to the different stakeholders, transferring relevant and truthful information about CAF's activities and results and complying with existing legal requirements for public information."*

*CAF's Corporate Social Responsibility Policy  
December 29, 2015*

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### 7.1

About this report

### 7.2

GRI Content Index

## 7.1 About this report

[MA 102-50, 102-52, 102-53, 102-54]

CAF's Corporate Social Responsibility (CSR) Report is one of our main communication tools in this area and for our Stakeholders.

### ● Scope

This report, which covers the period from January 1 to December 31, 2019, is the fourth specific annual Corporate Social Responsibility document published by CAF.

The information provided herein covers CAF's Group-wide activities. Where there are limitations in terms of the scope, coverage or other aspects of the information, we have included the necessary specifications in the relevant chapter or in the GRI Content Index. Such information has been omitted because the content is not appropriate, as it is not deemed to be material or because we do not currently have information of sufficient quality to be included in the report, in which case we are working to improve it.

Furthermore, this report is supported by other reports which provide more specific information on certain matters, such as CAF's Consolidated Annual Accounts for the year ending on 31 December 2019 which, in this case, provides further information regarding financial matters; or the 2019 Annual Corporate Governance Report, which more closely examines issues related to CAF's Corporate Governance Model.

### ● International standards applied to draft this report

This report has been prepared in accordance with the GRI Standards: Core Option.

### ● Important issues and participation of stakeholders

CAF maintains an open dialog with all stakeholders to identify and address any issues concerning them. In this regard, when drafting this report, we have taken into consideration the materiality assessment performed to identify the most important issues to be addressed.

If you have any doubts, questions or suggestions regarding this report or the matters detailed herein, contact us at:

[rsc@caf.net](mailto:rsc@caf.net)

## 7.2 GRI Content Index

[102-55]

GRI STANDARD	CONTENT TITLE	REFERENCE	PAGE	NOTE <sup>55</sup>
<b>UNIVERSAL STANDARDS (2016)</b>				
<b>ORGANIZATION PROFILE</b>				
GRI 102-1	Name of the organization	Construcciones y Auxiliar de Ferrocarriles, S.A.	81	(1)
GRI 102-2	Activities, brands, products and services	2019 Management Report on the Consolidated Group	Industrial Activity	(1)
GRI 102-3	Location of headquarters	Calle José Miguel Iturriz, 26. 20.200 Beasain (Guipúzcoa), Spain.	81	(1)
GRI 102-4	Location of operations	3.1 Excellence in client relations	30	(1)
		2019 Management Report on the Consolidated Group	Commercial Activity	(1)
GRI 102-5	Ownership and legal form	2019 Annual Corporate Governance Report	Section A.	(1)
		2019 Annual Accounts of the Consolidated Group	Note 14 a) of the Report	(1)
GRI 102-6	Markets served	3.1 Excellence in client relations	30	(1)
		2019 Management Report on the Consolidated Group	Commercial Activity	(1)
GRI 102-7	Scale of the organization	4.1 The value of our human capital	44 - 45	(1)
		Annual Report 2018	Letter from the CEO	(1)
		2019 Management Report on the Consolidated Group	Industrial Activity	(1)
		2019 Management Report on the Consolidated Group	Human Resources	(1)
GRI 102-8	Information on employees and other workers	4.1 The value of our human capital	44 - 45	(1)
GRI 102-9	Supply chain	3.5 Responsible supply chain	37	(1)
GRI 102-10	Significant changes to the organization and its supply chain	2019 Annual Accounts of the Consolidated Group	Note 2 F, Note 9 and Note 14a) of the Report	(1)
GRI 102-11	Precautionary principle or approach	5.2 Environmental footprint of operations	64	(1)
		2019 Annual Corporate Governance Report	Section E.	(1)
GRI 102-12	External initiatives	2019 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
		4.1 The value of our human capital	51	(1)
GRI 102-13	Membership of associations	6. The social value of our activity	69 - 78	(1)
<b>STRATEGY</b>				
GRI 102-14	Statement from senior decision-maker	Annual Report 2018	Letter from the CEO	(1)
GRI 102-15	Key impacts, risks and opportunities	2.2 Risk management.	22, 32, 37, 42, 51, 58, 69	(1)
		2019 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
		Annual Report 2018	Letter from the CEO	(1)
		2019 Annual Corporate Governance Report	Section E.3	(1)
GRI 102-17	Mechanisms for advice and concerns about ethics	2019 Management Report on the Consolidated Group	CAF Group and Outlo	(1)
		2.3 Business ethics and prevention of fraud and corruption	24	(1)
GRI 102-16	Values, principles, standards and norms of behavior	7.1 About this report	80	(1)
		2019 Annual Corporate Governance Report	Section F.1.2	(1)
<b>ETHICS AND INTEGRITY</b>				
GRI 102-16	Values, principles, standards and norms of behavior	1.1 CAF's global vision and CSR	6 - 8	(1)
		2.3 Business ethics and prevention of fraud and corruption	21 - 26	(1)
GRI 102-17	Mechanisms for advice and concerns about ethics	2.4 Tax responsibilities	27 - 28	(1)
		2019 Annual Corporate Governance Report	Section F.1.2	(1)
<b>GOVERNANCE</b>				
GRI 102-18	Governance structure	2019 Annual Corporate Governance Report	Section C	(1)
GRI 102-22	Composition of the highest governance body and its committees	2019 Annual Corporate Governance Report	Section C	(1)
		2.1 Corporate Governance System and Regulatory Compliance	14 - 18	(1)

<sup>55</sup> (1): Scope of CAF Group  
(2): Scope specified in the report

GRI 102-23	Chair of the highest governance body	2019 Annual Corporate Governance Report	Section C	(1)
GRI 102-24	Nominating and selecting the highest governance body	2.1 Corporate Governance System and Regulatory Compliance	16 - 18	(1)
		2019 Annual Corporate Governance Report	Paragraphs C.1.5, C.1.6, C.1.7, C.1.19	(1)
GRI 102-25	Conflicts of interest	2.1 Corporate Governance System and Regulatory Compliance	17	(1)
		2019 Annual Corporate Governance Report	Paragraphs C.1.5, C.1.6, C.1.7, C.1.19	(1)
GRI 102-29	Identifying and managing economic, environmental and social impacts	2019 Annual Corporate Governance Report	Section E.6	(1)
		2019 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
GRI 102-30	Effectiveness of risk management processes	2.1 Corporate Governance System and Regulatory Compliance	17	(1)
		2019 Annual Corporate Governance Report	Section E.6	(1)
GRI 102-31	Review of economic, environmental and social topics	2019 Annual Corporate Governance Report	Section E.6	(1)
		2019 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
		General Risk Control and Management Policy	Sections 3, 4, 5 and 7	(1)
GRI 102-35	Remuneration policies	4.1 The value of our human capital	46 - 47	(1)
		Director Remuneration Policy of "Construcciones y Auxiliar De Ferrocarriles, S.A."		(1)
		2019 Annual Corporate Governance Report	Sections C.1.13, C.1.14, C.2.1.	(1)
		2019 Annual Report on the Remuneration of Directors of Listed Limited Companies		(1)
GRI 102-36	Process for determining remuneration	4.1 The value of our human capital	46	(1)
		2019 Annual Corporate Governance Report	Sections C.1.13, C.1.14, C.2.1.	(1)
		2019 Annual Report on the Remuneration of Directors of Listed Limited Companies		(1)
<b>STAKEHOLDER ENGAGEMENT</b>				
GRI 102-40	List of stakeholders groups	1.2 Our relationship with our stakeholders	8 - 9	(1)
GRI 102-41	Collective bargaining agreements	4.1 The value of our human capital	43	(2)
GRI 102-42	Identifying and selecting stakeholders	1.2 Our relationship with our stakeholders	8 - 9	(1)
GRI 102-43	Approach to stakeholder engagement	1.2 Our relationship with our stakeholders	8 - 9	(1)
GRI 102-44	Key topics and concerns raised	1.2 Our relationship with our stakeholders + 7.1 About this report	8 - 9, 80	(1)
<b>REPORTING PRACTICE</b>				
GRI 102-45	Entities included in the consolidated financial statements	2019 Annual Accounts of the Consolidated Group	Note 2 F and Note 9 of the Report.	(1)
GRI 102-46	Defining report content and topic boundaries	1.3 Materiality	10 - 11	(1)
GRI 102-47	List of material topics	1.3 Materiality	11	(1)
GRI 102-48	Restatement of information	Not applicable.	82	(1)
GRI 102-49	Changes in reporting	Not applicable.	82	(1)
GRI 102-50	Reporting period	7.1 About this report	80	(1)
GRI 102-51	Date of most recent report	2018 CSR Report; February 2018	82	(1)
GRI 102-52	Reporting cycle	7.1 About this report	80	(1)
GRI 102-53	Contact point for questions regarding the report	7.1 About this report	80	(1)
GRI 102-54	Claims of reporting in accordance with GRI Standards	7.1 About this report	80	(1)
GRI 102-55	GRI Content Index	7.2. GRI Table of Contents	81	(1)
GRI 102-56	External assurance	No external verification has been carried out beyond that of the Non-Financial Information Statement	82	(1)

<b>TOPIC - SPECIFIC STANDARDS</b>				
<b>CATEGORY: ECONOMIC</b>				
<b>Economic performance (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 2019 Management Report on the Consolidated Group	11, Business performance and results	(1)
GRI 201-2	Financial implications and other risks and opportunities due to climate change	5.1 Sustainable mobility and eco-efficient products	58 - 59	(1)
GRI 201-3	Defined benefit plan obligations and other retirement plans	2019 Annual Accounts of the Consolidated Group	Note 3J, Note 15 and Note 20 of the Report.	(1)
GRI 201-4	Financial assistance received from the government	2019 Annual Accounts of the Consolidated Group	Note 15 and Note 22 D of the Report.	(1)
<b>Market presence (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 49 - 51	(1)
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The wages of all CAF employees are determined according the collective agreements in force and the applicable provisions on remuneration in each of them; they are always above the minimum stipulated by law and equal treatment is assured by setting wage conditions without considering gender.	83	(1)
<b>Indirect economic impacts (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	11, 69	(1)
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	69 - 78	(1)
<b>Procurement practices (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 3.5 Responsible supply chain	11, 37 - 40	(2)
GRI 204-1	Proportion of spending on local suppliers	3.5 Responsible supply chain	38	(2)
<b>Anti-corruption (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 2.3 Business ethics and prevention of fraud and corruption	11, 31 - 26	(1)
GRI 205-2	Communication and training on anti-corruption policies and procedures	2.3 Business ethics and prevention of fraud and corruption 2019 Annual Corporate Governance Report	23 Section F.1.2	(1) (1)
<b>Anti-competitive behavior (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 2.3 Business ethics and prevention of fraud and corruption	11, 25 - 26	(1)
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2019 Annual Accounts of the Consolidated Group	Note 20 and Note 26 of the Report.	(1)
<b>CATEGORY: ENVIRONMENTAL</b>				
<b>Materials (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	11, 58-59, 63, 64 - 65	(2)
GRI 301-1	Materials used by weight or volume	5.2 Environmental footprint of operations	64 - 65	(2)
<b>Energy (2016)</b>				
GRI 103	Management Approach	1.3 Materiality. + 5.2 Environmental footprint in the operations.	11, 58 - 59, 61 - 63, 66	(2)
GRI 302-1	Energy consumption within the organization	5.2 Environmental footprint of operations	66	(2)
GRI 302-4	Reduction of energy consumption	5.2 Environmental footprint of operations	66	(2)
<b>Water and effluents (2018)</b>				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	11, 58 - 59, 65	(2)
GRI 303-1	Interaction with water as a shared resource	5.2 Environmental footprint of operations	65	(2)
GRI 303-2	Management of water discharge-related impacts	5.2 Environmental footprint of operations	65	(2)
GRI 303-5	Water consumption	5.2 Environmental footprint of operations	65	(2)

<b>Emissions (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	11, 58 - 59, 66 - 67	(2)
GRI 305-1	Direct GHG emissions (scope 1)	5.2 Environmental footprint of operations	64	(2)
GRI 305-2	Energy indirect GHG emissions (scope 2)	5.2 Environmental footprint of operations	64	(2)
<b>Waste (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	11, 58 - 59, 61, 67	(2)
GRI 306-2	Waste by type and disposal method	5.2 Environmental footprint of operations	67	(2)
GRI 306-3	Significant spills	No significant spills have been identified	84	(2)
<b>Environmental compliance (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	11, 58-59	(1)
GRI 307-1	Non-compliance with environmental laws and regulations	5.2 Environmental footprint of operations 2019 Annual Accounts of the Consolidated Group	59 Note 22 C of the Report	(1)
<b>Supplier environmental assessment (2016)</b>				
GRI 103	Management Approach	1.3 Materiality. + 3.5 Responsible supply chain	11, 37 - 40	(2)
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	3.5 Responsible supply chain	40	(2)
<b>CATEGORY: SOCIAL</b>				
<b>Employment (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 42 - 52	(1)
GRI 401-1	New employee hires and employee turnover	4.1 The value of our human capital	44 , 49	(1)
GRI 401-2	Benefits provided to full-time employees that are not provided to part-time or temporary employees	4.1 The value of our human capital	46	(1)
<b>Labor/management relations (2016)</b>				
GRI 103	Management Approach	1.3 Materiality. + 4.1 The value of our human capital	11, 42 - 43	(1)
GRI 402-1	Minimum notice periods regarding operational changes	We comply with the provisions of the applicable collective agreement and, subsidiarily, the respective local laws	84	(1)
<b>Occupational health and safety (2018)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.3 Occupational risk prevention	11, 53 - 56	(1)
GRI 403-1	Occupational health and safety management system	4.3 Occupational risk prevention	53 - 56	(2)
GRI 403-2	Hazard identification, risk assessment, and incident investigation	4.3 Occupational risk prevention	53 - 56	(2)
GRI 403-3	Occupational health services	4.3 Occupational risk prevention	54	(2)
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	4.3 Occupational risk prevention	54	(2)
GRI 403-5	Worker training on occupational health and safety	4.3 Occupational risk prevention	56	(2)
GRI 403-6	Promoting worker health	4.3 Occupational risk prevention	53 - 54	(2)
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.3 Occupational risk prevention	56	(2)
GRI 403-9	Work-related injuries	4.3 Occupational risk prevention	55	(1)
<b>Training and education (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 48	(1)
GRI 404-1	Average hours of training per year per employee	4.1 The value of our human capital	48	(2)

GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1 The value of our human capital	48	(2)
<b>Diversity and equal opportunity (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 49 - 50	(1)
GRI 405-1	Diversity in governance bodies and employees	4.1 The value of our human capital 2019 Annual Corporate Governance Report	49 -50 Section C	(1) (1)
<b>Non-discrimination (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 49 - 50	(1)
GRI 406-1	Incidents of discrimination and corrective actions taken	4.1 The value of our human capital	50	(1)
<b>Freedom of association and collective bargaining (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 51	(1)
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No significant centers or suppliers have been identified that are affected in this regard.	85	(1)
<b>Child labor (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 51	(1)
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	No significant centers or suppliers have been identified that are affected in this regard.	85	(1)
<b>Forced or compulsory labor (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 51	(1)
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No centers or suppliers have been identified with a significant risk in this regard.	85	(1)
<b>Rights of indigenous peoples (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 51	(1)
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No cases of this kind have been detected.	85	(1)
<b>Human rights assessment (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	11, 51-52	(1)
GRI 412-2	Employee training on human rights policies or procedures	4.1 The value of our human capital	52	(1)
<b>Local communities (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	11, 51	(1)
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No centers have been identified with operations with significant negative impacts in this regard.	85	(1)
<b>Supplier social assessment (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 3.5 Responsible supply chain	11, 37-40	(2)
GRI 414-2	Negative social impacts in the supply chain and actions taken	3.5 Responsible supply chain	40	(2)
<b>Public policy (2016)</b>				
GRI 103	Management Approach	1.3 Materiality	11	(1)
GRI 415-1	Political contributions	CAF is a company with a neutral position regarding political parties	85	(1)
<b>Customer health and safety (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 3.2 Product safety	11, 32 - 33	(1)
GRI 416-1	Assessment of the health and safety impacts of product and service categories	3.2 Product safety	33	(1)

GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents have been detected in this regard.	86	(1)
<b>Marketing and labeling (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 3.1 Excellence in client relations + 3.2 Product safety	11, 32 - 33	(1)
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling	No significant incidents have been detected in this regard.	86	(1)
GRI 417-3	Incidents of non-compliance concerning marketing communications	No significant incidents have been detected in this regard.	86	(1)
<b>Customer privacy (2016)</b>				
GRI 103	Management Approach	1.3 Materiality	11	(1)
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant incidents have been detected in this regard.	86	(1)
<b>Socioeconomic compliance (2016)</b>				
GRI 103	Management Approach	1.3 Materiality + 2.1 Corporate Governance System and Regulatory Compliance	11, 14 - 28	(1)
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	2019 Annual Accounts of the Consolidated Group	Note 20 and Note 26 of the Report.	(1)