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Sustainability

Report

2020



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1

HOW WE UNDERSTAND SUSTAINABILITY

“CAF's main objective in terms of Sustainability is to conciliate the execution of its mission with the balanced meeting of the needs and expectations of the Stakeholders for the creation of value in a sustainable and long term manner. All of this is carried out in compliance not only with legal obligations, but also with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance, and Sustainability.”

*CAF's Sustainability Policy
December 17, 2020*

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1.1 CAF's global vision and Sustainability

[102-16, 102-49]

CAF's Mission reflects the added value in terms of sustainable mobility of the Group's integral transport systems; and its Vision, in line with its Mission, refers to the Group's comprehensive portfolio for responding to the new social needs for sustainable mobility.

MISSION

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

We are a multinational group with 100+ years of experience providing integral, cutting-edge transportation systems with high added value in terms of sustainable mobility.

We are a leading company in the railway sector and offer our clients one of the widest and most flexible ranges of rolling stock, components, infrastructure, signaling and services (maintenance, refurbishment and financial services) on the market.

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

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

Thanks to our human and technical potential, we will grow in the railway sector and strengthen our presence in the largest and most demanding world markets.

We will increase and diversify our comprehensive transportation portfolio range beyond the railway sector so as to meet society's new sustainable mobility needs.

Thanks to the culture shared by all the people who make up CAF, we will respond to our Stakeholders' needs in a balanced way.

Likewise, the corporate values of the Group's activities as a whole reflect its commitment to the principles set out in the Sustainability Policy and make them present in the day-to-day running of the Group.

Honesty & Integrity	To act correctly and in accordance with regulations.
Responsibility & Commitment	Taking charge and fulfilling commitments.
Results & Perseverance	Providing solutions to the situations that arise and establishing actions for doing so. Achieving objectives and overcoming any difficulties that may arise.
Excellence & Learning	Doing things right, improving our activity and providing new solutions. Being willing to learn and tackle new activities.
Cooperation & Teamwork	Working with others provides greater value

As a result of its commitment to sustainability and the environment in which it operates, in 2015 the CAF Group (hereinafter CAF) approved its first Corporate Social Responsibility (CSR) Policy in accordance with the recommendations of the Good Governance Code for Listed Companies published by Spanish Securities Market Commission (CNMV). This policy was updated and approved on December 17, 2020 by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter, CAF, S.A.). This policy defines the objective, principles and commitments promoted by the organization in carrying out its activities and is available on the corporate website.

The Appointments and Remuneration Committee is responsible for assessing and supervising environmental and social policy and practices in order to fulfill its mission of promoting corporate interests, as well as Stakeholder relations, taking into account the legitimate interests of these parties. In accordance with the above, this committee is responsible for the monitoring and control of the Sustainability Policy. The Board of Directors is periodically informed of activities related to Sustainability and Stakeholder relations in applying the provisions of the policy.

The preparation of this report was led and coordinated by the Human Resources Department and reviewed by the Appointments and Remuneration Committee, for subsequent approval by the Board of Directors.

CAF's main objective in terms of sustainability is to strike a balance between carrying out its mission and meeting the needs and expectations of the Stakeholders to create value in a sustainable and long-term way. All of this is done in compliance not only with legal obligations, but also with best practices for Good Corporate Governance, Risk Management, Regulatory Compliance, and Sustainability.

To achieve this objective, CAF will follow these action principles when carrying out its activities:

1	Legal compliance and preventing corruption and other illegal conduct
2	Respecting Human and Fundamental Rights
3	Compliance with the best practices for Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability
4	Transparency and Confidentiality
5	Responsible Reporting
6	Fiscal responsibility
7	Innovation and Sustainability
8	Environment

CAF continues to take steps to reinforce and consolidate the work it has done to meet the objectives established in the Sustainability Policy, which are promoted through the Sustainability Committee. This forum is made up of a multidisciplinary team representing the areas with the greatest impact on Sustainability, who are responsible for ensuring compliance with commitments and monitoring activities in this area under the coordination of the Human Resources Department. The main responsibility of each of the members of the Committee is to ensure Sustainability activities are rolled out throughout the corporation in their respective specialties. In this sense, it serves as a point of reference and interlocutor on these matters in the areas it represents and is the voice of those areas within the Committee. In addition, the members are responsible for communicating to the Committee any relevant aspects in this area that require a shared vision and for bringing relevant aspects to the executive and/or decision-making bodies in their area. To do so, the Committee evaluates the matters submitted to it and may issue recommendations on their merits and on the most appropriate channel for handling them.

During 2020, CAF has continued to improve its process management in accordance with its growing sensitivity to environmental and social issues, and has increased Stakeholder requirements in the different activities.

It is worth highlighting the work carried out in the following areas of action during this period:

- Approval of the new Sustainability Policy, having considered both internal and external elements in its preparation, including Stakeholder requirements.
- Adherence to the United Nations Global Compact by CAF, S.A., the Group's main company, confirming its commitment to the Ten Principles contained therein, which are derived from United Nations declarations on human rights, labor, the environment and anti-corruption, and which enjoy universal consensus.
- Progress on the roll-out of the Corporate Management Model aligned with ISO 26000:2012, transversally complementing the initiatives in this area with important activities for improving aspects related to suppliers and information traceability.
- Progress on the Organizational Structure in this area through the Sustainability Committee and specialized Corporate Forums (Supply Chain, Environmental, Safety and Health) across the corporation.
- Strengthening of the internal regulatory framework with the aim of reinforcing the Internal Regulatory System on matters of Corporate Governance and Compliance.





- Improved Ecovadis results, obtaining a Gold rating for CAF, S.A. (top 5%) and a Silver rating for CAF Power & Automation in 2020.
- Collaboration on the definition of the Railsponsible strategy (started in 2018) and progress on rolling out commitments in the supply chain.
- Drafting of the Sustainability Report for the CAF Group's activities as a whole, following the information requirements and recommendations of the GRI Standards developed by the *Global Reporting Initiative* (GRI), as well as the regulation regarding the preparation of Non-Financial Information Statements (Law 11/2018, of December 28).
- Intense efforts to meet the information requirements of the different Stakeholders, especially customers and investors in ESG matters.

The main objective for the next period is to continue to make progress on fulfilling the commitments included in the Sustainability Policy with the different Stakeholders in the different areas: environmental, social and governance aspects, and work fronts: management, information and results.

1.2 Our relationship with Stakeholders

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

Stakeholders, which were first formally identified in the definition of the Code of Conduct in 2011, are at the center of CAF's strategy, and the Sustainability Policy confirms their validity and defines the commitments made to each of them, namely shareholders, clients, people, suppliers and society.



These commitments are deployed at the standard management level as per the guidelines set out in the ISO 26000:2012 social responsibility guide, through the CAF Management Model, which establishes policies, initiatives and specific objectives for each of the Stakeholders. This model includes the CAF Group's Management Strategy, which, together with the business strategy, complements the Group's global strategic framework.

CAF aims to build a relationship of trust with its Stakeholders. It therefore promotes continuous and effective communication with its Stakeholders through the following communication channels in order to foster their participation and involvement in CAF's objectives and in the areas where their activities are affected.

Stakeholders	Communication Channels
Shareholders ¹	<ul style="list-style-type: none"> - Shareholder and Investor Service Office - Communiqués from the Spanish Securities Market Commission (CNMV) - The General Shareholders' Meeting - Periodic information meetings - CAF's website (www.caf.net) - Whistleblower Channel - Shareholder and investor survey
Clients	<ul style="list-style-type: none"> - Meetings with potential clients - Meetings with current clients - Client audits - Audits of the Quality and Safety Management System - CAF's website - Whistleblower Channel - Customer satisfaction surveys
People	<ul style="list-style-type: none"> - CAF's Portal - Internal communication channels - Direct communication - Union representation - The corporate magazine - Whistleblower Channel - CAF's website - Organizational Health Survey
Suppliers	<ul style="list-style-type: none"> - The Supplier Portal - CAF's website - Supplier audits - Whistleblower Channel - Supplier Satisfaction Surveys
Society	<ul style="list-style-type: none"> - CAF's website - Direct relationship with public administrations - Participation in forums and associations - Whistleblower Channel - Sustainability Report

This year, with the purpose of establishing a general framework for communicating financial, non-financial and corporate information about the companies in CAF Group, the Policy on the Communication of Economic and Financial Information, Non-Financial Corporate Information, and Contacts with Shareholders, Institutional Investors and Proxy Advisors has been updated (in compliance with the principles of good corporate governance set forth in the Code of Good Governance for Publicly Listed Companies, approved by the Spanish Securities Market Commission in February 2015 and revised in June 2020, and with applicable law). This Policy, initially approved by CAF's Board of Directors at its meeting on October 28, 2015 as the Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors, and last amended on December 17, 2020, details CAF's commitment to Stakeholder engagement and dialog and specifies the responsible communication practices that constitute a principle included in the Sustainability Policy.

In addition to helping to maximize the dissemination and quality of the information available to the market and to the CAF Group's stakeholders, these channels are fundamental to understanding their concerns and interests on matters of sustainability and are a key element in defining CAF's strategy and actions in this area.

To this end, it includes a systematized communication process in which the relevant indicators are defined for each Stakeholder Group and the corresponding action plans are established for subsequent communication through the aforementioned channels. In order to evaluate Stakeholders' perception, the company measures and monitors their satisfaction with and assessment of its communication with them. The following table shows the evolution and prospects of these two indicators.

¹ Information about Shareholders appears in CAF's Annual Corporate Governance Report, available on the corporate website

The Satisfaction of all Stakeholders

Stakeholders	Measurement	Scope	Evolution	Prospects
Shareholders	% votes in favor of the Approval of the Annual Accounts and Management Report (General Shareholders' Meeting)	> 77% of subscribed capital with voting rights	Positive. Aligned with target	Stability
Clients	Annual Railway Satisfaction Survey Biennial Bus Satisfaction Survey	> 80% sales	Positive. Aligned with target	Stability
People	Biennial Satisfaction Survey	> 75% of staff	Positive	Improvement
Suppliers	Annual Satisfaction Survey	> 65% purchases	Positive. Aligned with target	Increased Scope Result stability
Society	Ecovadis Sustainability Assessment	100% Group	Stability. Aligned with target	Improvement

Assessment of the communication with Stakeholders

Stakeholders	Measurement	Scope	Evolution	Prospects
Shareholders	Communication Assessment Survey	> 50% of shareholders and institutional investors	First positive measurement. Aligned with target	Stability
Clients	Communication Assessment Survey	> 60% sales	Positive. Aligned with target	Expand scope Result stability
People	Communication Assessment Survey	> 50% of staff	Positive	Expand scope Improved result
Suppliers	Communication Assessment Survey	> 65% purchases	Positive. Aligned with target	Expand scope Result stability
Society				Initial measurement

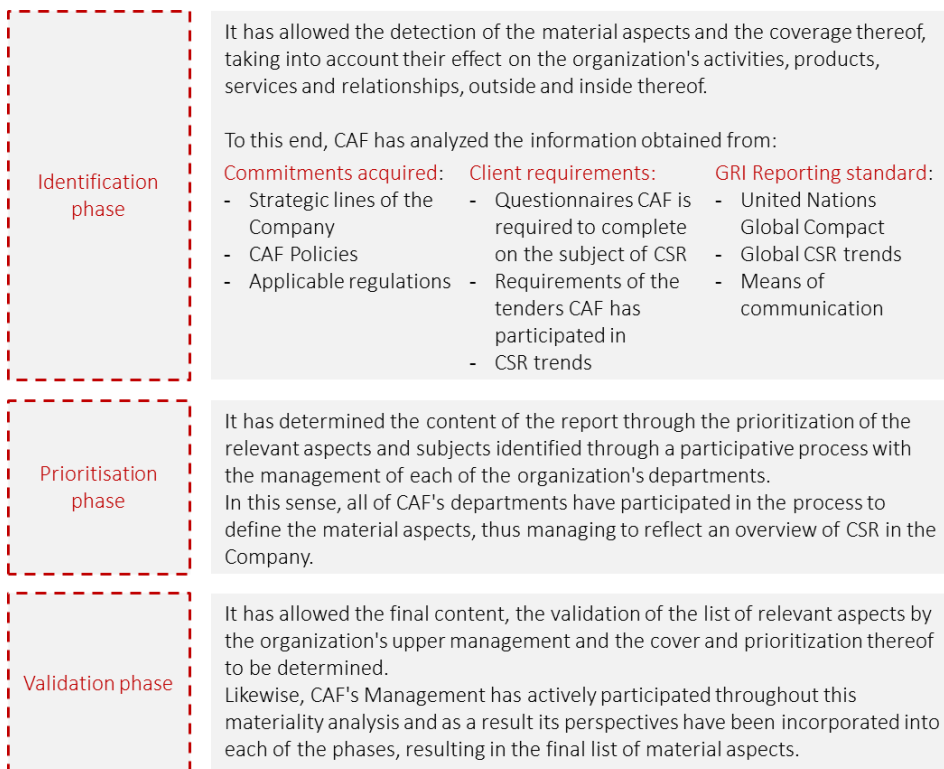
1.3. Materiality

[102-44, 102-46, 102-47,103]

There are multiple economic, environmental and social factors involved in defining the Group's sustainability strategy and commitments in the context of CAF and its sectors of activity. CAF's Sustainability Policy defines the Company's actions with respect to these factors under a sustainable development approach.

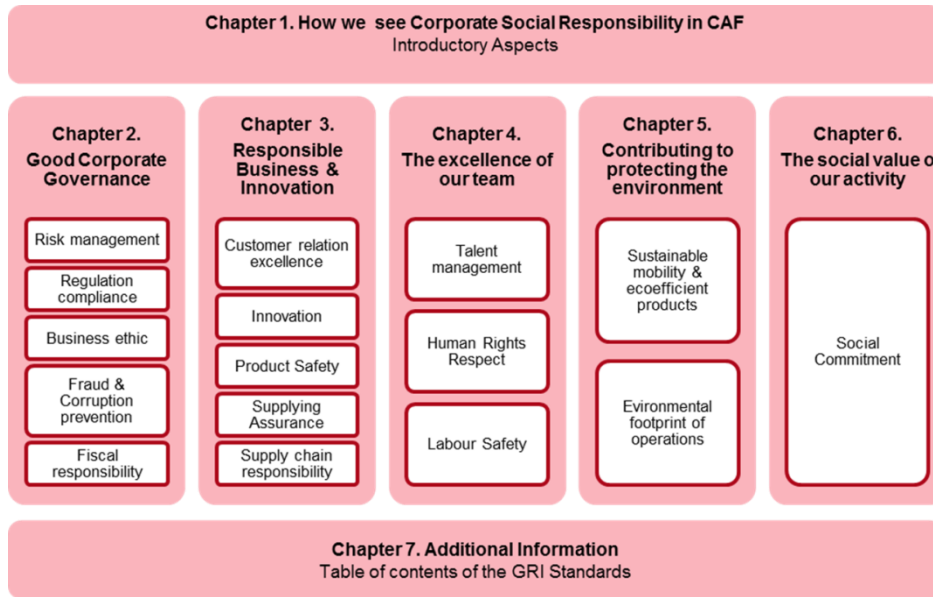
This Sustainability Report has been prepared based on the expectations and requirements of the Stakeholders identified in this Policy, paying special attention to the issues that are most relevant to them and that have the greatest impact on the Group's strategy.

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



The identification made through this diagnosis is still valid and has been confirmed following an analysis performed in accordance with the Social Responsibility guidelines set out in the ISO 26000:2012 guide.

As a result of the materiality analysis, the 16 aspects relevant to CAF and its Stakeholders in the area of sustainability are confirmed. The significant impacts related to each of them are exhaustively detailed throughout this Report, as shown in the following figure. Additionally, due to the fact that the main external factor impacting CAF's activity in 2020 was the Covid-19 pandemic, a specific section has been included in this chapter summarizing the measures taken to manage it.



The information contained in this Sustainability Report for 2019 is presented for comparative purposes together with the information for 2020. None of the indicators presented in this Sustainability Report for comparative purposes differ from those formulated in the Corporate Social Responsibility Report for 2019.

For additional information about these material aspects, as well as other aspects related to Sustainability at CAF, see chapter "7. Additional information", which includes the table of contents of the GRI standard, which has been taken as the standard of reference for preparing this Report.

1.4 Sustainable Development Goals

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

Based on the current materiality analysis and considering the strategic reflection on the main challenges and SDGs associated with RAILSPOSSIBLE, the Sustainability Committee carried out an internal deliberation in 2019 that resulted in identifying the SDGs to which CAF contributes most with its activity, in line with the RAILSPOSSIBLE strategy.



Environmental Line

Promoting sustainable mobility

- Continuous development and research in the product and service offer to respond to the global trend of increasing mobility, climate change and limitation of fossil fuels.
- Design of more environmentally friendly means of transport, with lower noise emissions, which consume less energy in use and generate less pollution.
- Taking part in 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 to fight Climate Change by increasing energy consumption and promoting energy efficiency.
- Efficient management of natural resources in production.
- Reduction, reuse and recycling of the waste produced.

More information in chapter 5.2.



Promoting Responsible Purchasing

- Sustainability commitment requirements set out in the Supplier Code of Conduct.
- Requirement that suppliers comply with the REACH Regulation and the UNIFE Railway Industry Substance List.
- Evaluation of supplier sustainability management through the Ecovadis platform.
- Participation in the RAILSPOSSIBLE sector initiative for the development of sustainable practices along the rail industry value chain.
- Employee training and awareness of sustainability issues.
- Development of small and medium-sized local suppliers.

Social and Ethical Line

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.
- Application of personal development and occupational health and safety policies, 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 according to high quality and safety standards for customers and users.
- Support for entrepreneurship, by working with startups and entrepreneurs.

More information in chapter 6.



For more information, see chapter 3.4 .



1.5 External ESG ratings

CAF aims to improve its ESG rating, backed by the roll-out of its Sustainability Policy and the Group's Management Model. The main external ratings for CAF Group in this area are listed below.

Agency	Scope	Type
Ecovadis	CAF, S.A.	Gold (top 5%)
Sustainalytics	CAF Group	Medium Risk
MSCI	CAF Group	BBB

1.6 Actions taken to manage the Covid-19 pandemic

In response to the pandemic caused by the SARS-CoV-2 coronavirus (Covid-19), a contingency plan was activated, containing specific protocols, procedures, actions and preventive measures developed to deal with the situation. This Plan has been managed through various multidisciplinary committees and forums organized at different levels, which have been responsible for analyzing the situation caused by the pandemic and the impact on the plants' production activity and the various services provided by the company. A series of measures were implemented for each of the Stakeholders, which are described below.

In this regard, it is worth highlighting the continuous communication and collaboration efforts between both the different forums and groups created within the Company, which have coordinated and validated all decisions, and with the Stakeholders, which have been positively valued by both parties.

● People

Just like in other activities, the health crisis affected all the activities at CAF Group's various sites. In view of the need to protect the health of workers from the risk of exposure to the virus, appropriate measures were adopted in each case, taking into account the situation in each of the geographical areas and the provisions of the relevant health authorities.

These measures can be summarized generally in terms of the continuity of activities that could be carried out via teleworking and, where appropriate, in terms of the temporary suspension of those that required adaptations until compliance with the minimum health and safety conditions established for the workplace could be guaranteed in all cases. All the labor measures implemented were in accordance with the provisions of local law and respected the obligations of workers' representation. The alternatives included flexibility agreements in the main vehicle manufacturing plants and temporary work stoppage processes. The flexibility agreements made it possible to recover the working time lost during the temporary suspension in 2020, maintaining the purchasing power of workers and helping to boost sales in the second half of the year.

At the same time, specific protocols and action plans were drawn up with the necessary preventive and protective measures to prevent the spread of Covid-19 among the Group's workers, and detailing what to do if suspected cases were detected. These documents include protection measures, social distancing, cleaning and disinfection protocols, travel guidelines and controlling visitors and contractors, among others. They also include the work-life balance measures that the company made available to workers who require them.

In parallel, for the effective implementation of teleworking, a dimensioning exercise was carried out to measure the capacity of the elements involved in this type of work, in order to ensure that the systems would provide the necessary coverage to be able to maintain the usual remote activity.

CAF workers received training in the risks of Covid-19 and in the established Protocols and Plans through different channels, including the e-learning tool. Through this training, workers have been informed and trained on risks and the prevention and protection measures they must take to be able to do their jobs.

Staff members who continued working remotely received training on the risks of this type of work and the prevention measures they must take to reduce risks, especially ergonomic risks. At the same time, awareness has been raised through the dissemination of ten basic recommendations on cybersecurity with guidelines to follow for avoiding fraud and cyber-attacks, complementing the cybersecurity training already available to workers, within the framework of the Information Security Management System (ISMS, certified under ISO 27001).

Likewise, throughout the course of 2020, a communication exercise was carried out with the Group's workers to ensure that each person in the organization had constantly updated information about the defined measures and protocols. All the communication channels available within the Group have been used to this end, including the mobile application, where a specific section was created to provide information on Covid-19 measures, available to everyone in the Group and giving them access to relevant information remotely at any time.

The epidemiological situation and the incidence of cases have been constantly monitored at each of the Company's sites and their surrounding areas in order to adopt and implement the necessary preventive measures, updating and communicating the Protocols and Plans when necessary, with the aim of reducing the risk of contagion among workers.

In addition, monitoring activities have been done since the beginning of the pandemic and throughout this period to demonstrate and guarantee compliance with the established regulations and with implemented prevention measures. An external audit was performed at the main vehicle manufacturing plants to verify compliance with the applicable regulations in relation to the occupational health and safety of workers and compliance with internal protocols.

Taking stock of 2020 and taking into account the impact of Covid-19 on CAF Group's main activities, it could be said that the preventive measures implemented during the management of the pandemic have been effective, as they have allowed activity to continue and guaranteed compliance with the minimum health and safety conditions established in the workplace.

● Shareholders and Investors

Activities related to shareholders and investors also had to be adapted to the health crisis situation. In this regard, travel, face-to-face meetings and the contacts usually held with shareholders and investors were suspended (roadshows, conferences organized by financial institutions, etc.).

On May 8, 2020, the Board of Directors called the Company's Ordinary General Shareholders' Meeting to be held on June 13, 2020, providing for the possibility for the meeting to be held remotely. The announcement of the call was communicated as Other Relevant Information to the Spanish Securities Market Commission (CNMV) and published on the Company's website, and has remained accessible on said website ever since. It was also published in the newspapers Diario Vasco and Berria on May 9, 2020, and in the Official Gazette of the Mercantile Registry on May 11, 2020.

In view of health recommendations and restrictions on mobility and the holding of large events issued by the authorities as a result of Covid-19, the Company eventually decided that the General Meeting would take place remotely, i.e. without the physical attendance of shareholders or their proxies. This was announced through a supplementary statement to the call, communicated as Other Relevant Information to the Spanish Securities Market Commission, and published on the Company's website on June 4, 2020, as well as in the newspapers Diario Vasco and Berria, and in the Official Gazette of the Mercantile Registry on June 5, 2020.

The Meeting was held remotely in order to safeguard the general interest, to protect the health of shareholders, workers and other persons usually involved in organizing the meeting, and to guarantee equal treatment of all shareholders.

At the aforementioned Meeting, it was approved by a majority (77.39% of the share capital represented) to pay the dividend for the 2019 financial year on January 15, 2021. As of the date of this report, CAF has satisfactorily fulfilled its commitment.

Communication between CAF's Investor Relations team and analysts, investors and shareholders has intensified in 2020 due to the need to provide visibility regarding the measures adopted and

the level of impact, and regarding the contingency plan implemented by the Company. CAF's Investor Relations area has responded to this increased demand with its full availability. At the time of writing this report, it is still operating in a fully remote format.

At the end of July, CAF published its results for the first quarter and the first half of 2020, along with a qualitative assessment of the evolution of its activities during the period and its forecast for the coming months.

In accordance with the extension of deadlines to present corporate results and financial statements, the Company agreed to delay the publication of its results for the first quarter of 2020, due to the unavailability of sufficient information to prepare these financial statements with the proper reliability, as a result of the complications generated by Covid-19 and to avoid the need for subsequent changes in the judgments and estimates used.

● Clients

As was done with the rest of the Stakeholders, CAF initially canceled face-to-face meetings, customer audits, FAIs, etc., replacing them at a later stage with remote meetings when circumstances permitted, in order to guarantee the health and safety of clients and internal personnel.

With the first impact of the pandemic, which resulted in the temporary suspension of some activities and the impact on suppliers, CAF informed clients about the contingency measures being taken and the potential delay in fulfillment of contractual commitments. From that time on, mainly in the railway activity, CAF has regularly informed its clients about the continuing impact of the pandemic on each program. As gleaned from the 2020 satisfaction survey, the clients found the Company's management of the pandemic satisfactory.

In parallel, in accordance with the stipulations in each contract, negotiations were launched with clients to secure term extensions depending on the impact that the pandemic was having on the projects. To date, agreements on contractual changes have been reached with several clients, and we are continuing to negotiate with those whose projects were affected by the coronavirus.

On the other hand, given the complexity of the situation prompted by Covid-19, and in order to rise to the challenges that this new situation was posing to the entire transportation sector, CAF launched an interdisciplinary working group geared at analyzing the situation and looking for solutions to support the transportation authorities and operators in order to guarantee the safety of collective transportation systems.

As the outcome of that team's work, and backed by years of experience designing and supplying sustainable mobility solutions, CAF made available to its clients a wide range of solutions to respond to this new context both in new trains and buses and in their existing fleets. They included solutions to avoid contact-based and airborne transmission and to monitor capacities. They are all published on the corporate website and on the Solaris website.

Likewise, as part of its strategy of innovating and generating new activities, CAF has been partnering with the entrepreneurial and start-up ecosystem for years. Within this strategy, a partnership agreement was signed in July between the "Business and Society" Association and CAF. This agreement aims to promote partnerships with high-growth start-ups ("scale-ups") in order to jointly develop disruptive solutions and new products that provide us with solutions that can be adopted in train design, both newly built and refurbished, to prevent contagion and curb the pandemic caused by Covid-19. At the time this report was written, pilot projects were being carried out with several of the scale-ups chosen, with very positive outlooks.

● Suppliers

The team in charge of managing the supply chain, in coordination with the Committees and Forums organized for this purpose, has established extraordinary measures with the suppliers that required them. By establishing a specific monitoring plan for each supplier, CAF has been able to mitigate the effect of Covid-19 on each supplier's operations by implementing mitigation measures such as communicating prevention recommendations and distributing face masks to suppliers who were dealing with a delay in their operations.

The different procurement and supply-chain activation teams have specifically monitored the impacts of the pandemic on CAF's suppliers, including a solvency assessment and specific mitigation plan for suppliers with the greatest cash flow problems.

Suppliers' supply delay mitigation plans, as well as manufacturing ramp-up plans on certain projects most impacted by the pandemic, have required the delivery plans with suppliers to be renegotiated. In this regard, it should be noted that no relevant supply incidents due to Covid-19 have been recorded.

In view of the risk of contagion for CAF professionals traveling to other countries and visiting suppliers' facilities, CAF has authorized remote audits and inspections. At the time this report was written, we were working on reaching conclusions on the impact that these inspections may have on the different business processes, although allowing this type of audits and inspections from time to time will make it possible to speed up and lower the costs of monitoring and controlling suppliers.

● Society

From the perspective of environmental management, the risks stemming from Covid-19 were analyzed and managed and the action protocols updated, especially because new waste is being generated (masks, infectious waste, empty containers, etc.) and to comply with laws on chemical product storage.

On the other hand, CAF's partnerships with different agents to generate knowledge in the environment of its operations have also been affected by the Covid-19 pandemic. The common, consensual decision in these areas has been to continue with the activities that make it possible to comply with health and safety measures and to temporarily suspend those that do not.

Finally, in addition to CAF's donation of health supplies to health centers and social organizations, since the beginning of the pandemic CAF Digital Design Solutions (CAF DDS), a subsidiary of the Group dedicated to additive manufacturing and 3D digitalization, has put its 3D printers at the disposal of the fight against Covid-19. To this end, several devices, such as protective screens/visors and respirators, were designed and manufactured.

2

GOOD CORPORATE GOVERNANCE

“To follow the best and most recognized practices for Good Corporate Governance, Risk Management, Regulatory Compliance, and Sustainability in general and in particular those set out in the CAF Group's Code of Conduct, in addition to those set out in the CNMV Code of Good Governance, the Guidelines of the Organization for Economic Cooperation and Development (OECD), and the United Nations Global Compact, among others.”

*CAF's Sustainability Policy
December 17, 2020*

2.1

Corporate Governance and Regulatory Compliance System

2.2

Risk management

2.3

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

2.4

Fiscal responsibility

2.1 Corporate Governance and Regulatory Compliance System

[102-16, 102-17, 102-22, 102-24, 102-25, 102-30, EG² 418, MA 419]

The CAF Group conducts its activities bearing in mind the importance of appropriate and transparent management as an essential factor for generating value, improving economic efficiency, and strengthening shareholder and investor confidence, all of which is implemented through a Corporate Governance System based on the concept of "Good Corporate Governance."

This Corporate Governance System is based on the commitment to ethical principles, good practices, and transparency, and it is articulated around the defense of the social interest and the creation of sustainable value for CAF's stakeholders. In turn, it allows these principles and good practices to extend to the CAF Group's entire Internal Regulatory System, as defined below.

CAF's Corporate Governance System is made up of principles and regulations that regulate the design, integration, and functioning of the Governing Bodies and their relationship with the Company's stakeholders.

In terms of the Governing Bodies and the definition and composition thereof according to the aforementioned regulatory framework, the Company distinguishes between the following: (i) the Company's Corporate Governance bodies (the General Board and Board of Directors of the CAF Group's parent company), which adopt the decisions corresponding to the highest governance and decision-making bodies; and (ii) the Management bodies (Management Team as a whole), which is entrusted with the ordinary management of the Company and must always be in line with the general policies and strategies established by the Board of Directors.

The foregoing makes it possible to adopt and maintain an Internal Regulatory System in which ethics and sustainability permeate and characterize all the Group's activities in order to ensure that it achieves its business objectives, complies with its legal obligations, and applies widely recognized standards of good practice.

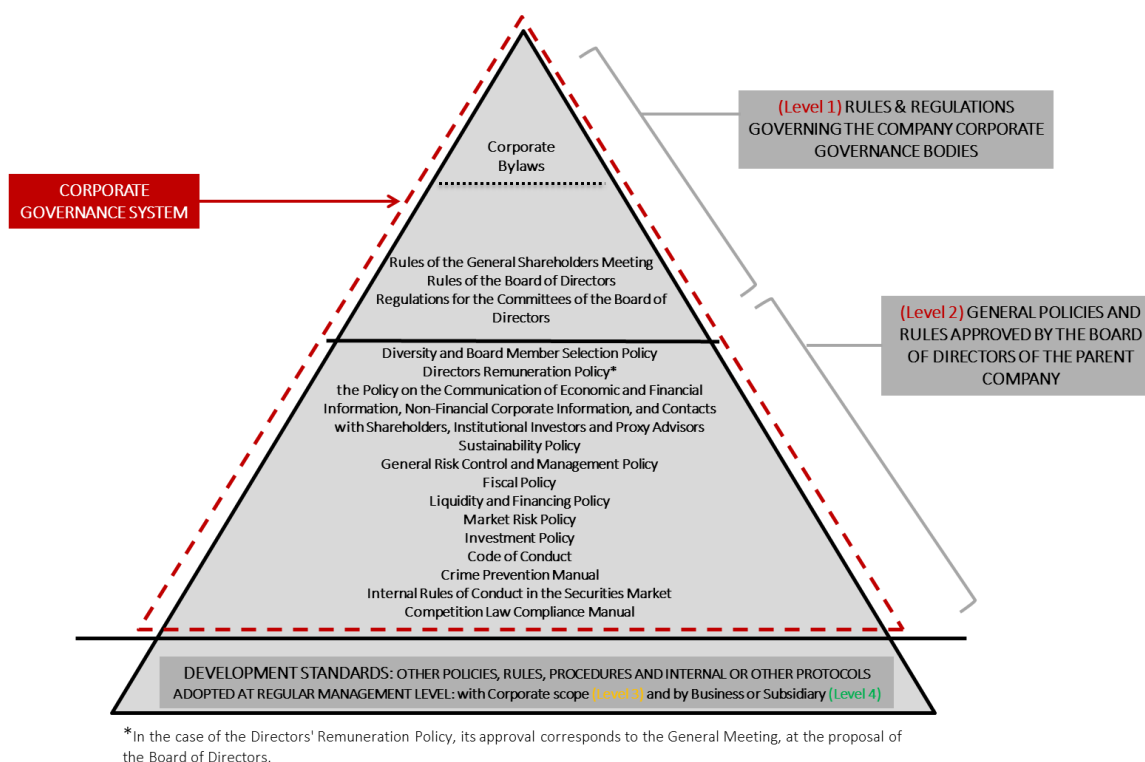
To this end, CAF takes into account the benchmark principles and best practices at the national and international level in this sphere by integrating them into its activities at the internal normative level in its regulatory framework, at the organic level in the composition and distribution of functions of the Governing Bodies, and at the operational level by integrating them into systems and processes.

² EG: Management Approach

Regulatory Framework on Corporate Governance Matters

General regulatory framework

The general Regulatory Framework on Corporate Governance Matters is made up of the Internal Regulatory System, which is comprised of four hierarchical levels of rules: (i) those regulating the composition and functioning of the Corporate Governance bodies, namely the General Board and Board of Directors of the parent company (Level 1), (ii) the general policies and specific rules to be applied homogeneously across the entire CAF Group approved by the Board of Directors of the parent company (Level 2, the first two levels together form the "Corporate Governance System"), and (iii) the implementation rules at the level of ordinary management, and respecting all of the above, which may in turn be approved by the Management Team to allow for the efficacy and integration of the Good Governance standards into the systems and processes; this may have a Corporate scope (Level 3) or they may also be implemented by activity or subsidiary (Level 4).



CAF's Governing Bodies, at both the strategic and ordinary management levels, apply and implement, where appropriate, the rules of the Internal Regulatory System at their respective levels, and they inform and raise the awareness of the different target groups of each of the Company's stakeholders through regular communication and training initiatives.

Likewise, the Company seeks to permanently adapt and update of the Corporate Governance System to new laws or codes of good practice and guides aimed at listed companies, which are periodically published by the regulatory and supervisory bodies, as quickly as possible.

As important milestones in the 2020 financial year, the following rules regulating Corporate Governance bodies have been amended as indicated in the following section:

- (i) Regulations of the Board of Directors;
- (ii) Regulations of the Appointments and Remuneration Committee; and
- (iii) Regulations of the Audit Committee.

In addition, the following General Policies have been approved or amended:

- (i) Sustainability Policy;

- (ii) Board Member Remuneration Policy applicable to the financial years 2021, 2022, and 2023;
- (iii) Policy on Diversity and Selection of Board Members; and
- (iv) General Policy on Economic and Financial Information, Non-financial Corporate Information, and Information on Shareholder, Institutional Investor, and Proxy Advisor Communication and Engagement.

All of this has strengthened the Corporate Governance System, as outlined in the following section.

The rules governing the Corporate Governance bodies and CAF's General Policies are available to the general public on the corporate website and are permanently updated in accordance with the applicable regulations.

Effectiveness and implementation of the Corporate Governance System

The Sustainability Policy approved at Group level defines objectives, principles of action, and commitments which ultimately crystallize in tangible and verifiable compliance with Good Corporate Governance standards.

The achieving of the established goals has led CAF to establish preventive measures to ensure strict compliance with the legal system in force in the geographic areas where CAF operates.

In the 2020 financial year, both the Regulations of the Appointments and Remuneration Committee and the Regulations of the Audit Committee were amended, primarily to incorporate recommendations from the Code of Good Governance for Publicly Listed Companies, following its review by the National Securities Market Commission in June 2020 ("CBG"), and consequently to adjust the functions in sustainability and corporate governance matters between the two Committees. Likewise, the Regulations of the Board of Directors have been updated in order to adapt them to the CBG, which amends Recommendation 8 and Recommendation 24, among others, as well as to incorporate certain technical improvements.

In addition, as anticipated, the following corporate policies were also approved or amended in 2020:

- (i) Sustainability Policy: Since the approval of the Corporate Social Responsibility Policy in 2015, there has been significant progress in the implementation of this activity in the Company and its Group, which has made it appropriate to adapt the Policy to the new reality. In addition, the new CBG involves making some adjustments to the Policy in accordance with the new wording of Recommendations 4, 54, and 55.
- (ii) Board Member Remuneration Policy applicable to the financial years 2021, 2022, and 2023: In view of the fact that the current Remuneration Policy was due to expire on December 31, 2020, at the proposal of the Appointments and Remuneration Committee and in accordance with the provisions of article 529 novodecies of the Capital Companies Act, the Board of Directors decided to submit the Remuneration Policy for financial years 2021, 2022, and 2023 to the approval of the Company's Annual General Shareholders' Board meeting, which took place on June 13, 2020.

In any case, this Policy does not entail substantial changes to the Remuneration Policy applied by the Company in previous years.

- (iii) Policy on Diversity and Selection of Board Members: In the same context of the last amendment of the CBG, a proposal was submitted to the Board of Directors to update the previous Policy on Diversity and Selection of Board Members in order to adapt its content to the text of Recommendations 14 and 15 of the CBG and to include certain additional improvements arising from the provisions of the 2019 CNMV Technical Guide on Appointments and Remuneration Committees, among others.

- (iv) General Policy on Economic and Financial Information, Non-financial Corporate Information, and Information on Shareholder, Institutional Investor, and Proxy Advisor Communication and Engagement: This policy has been prepared in order to comply with the contents of the CBG's new Recommendation 4, replacing the current Policy on Shareholder, Institutional Investor, and Proxy Advisor Communication and Engagement, in order to establish a general framework for communicating the financial, non-financial, and corporate information of the companies that are part of the CAF Group through the channels considered appropriate, which contributes to maximizing the dissemination and quality of the information available to the market and stakeholders.

In particular, it defines the channels of communication and contact with shareholders, institutional investors, and proxy advisors in full compliance with market abuse rules and the principle of equal treatment.

All of the above is in compliance with applicable regulations, best practices, and recommendations for good corporate governance and is proof of CAF's steadfast commitment to these principles.

Likewise, CAF's principle of action is to follow good governance practices in general and those contained in CAF's Code of Conduct in particular, which regulates the conduct required of all the organization's professionals and collaborators and the general mechanisms for supervision and control of this conduct.

In this regard, in this financial year 2020, in addition to approving and amending the aforementioned regulations and corporate policies, progress has been made in the implementation of the rules of the Code of Conduct by developing and strengthening the Criminal Compliance and Competition Systems, respectively, which are referred to in the section "*2.3 Ethics in business, fraud, and corruption prevention and respect for Competition Law*" of this report.

● The Board of Directors and its Committees

Board of Directors

CAF's highest decision-making body is the Board of Directors, which is currently comprised of eleven members. CAF also has an Audit Committee and an Appointments and Remuneration Committee.

The Board acts as a decision-maker in relation to the strategic management of the Company, and to this end its activity focuses on the general roles of guiding, supervising, establishing general strategies, and overseeing 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 Board Member Selection Policy (which was last updated in December 2020) states that candidates for Company Board Members must be honest, suitable persons with recognized skills, competence, experience, qualifications, and training. It also contains diversity criteria as an important factor when analyzing the needs of the Board of Directors and the Company that should govern the selection of Board Members.

Additionally, as a way to ensure respect for the Good Corporate Governance practices, Board Members are obliged to stand down when they meet the circumstances of incompatibility or prohibitions set out by law, or when they are being tried for an alleged criminal act or subject to a disciplinary action ordered by the supervisory authorities due to a severe or very severe offense, or when they have a conflict of interest with the Company or fail to comply with the duties of communication and abstention.

The Board of Directors has also approved the annual evaluation report for the 2020 financial year and positively assessed its work and that of its members and Committees. In accordance with the recommendations of the CBG, this year the Board has been assisted by an independent expert to evaluate its performance and that of its Committees.

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

Audit Committee

The Audit Committee is comprised of three non-executive Board Members, two of whom are independent, including the Chair, who has been appointed on the basis of her knowledge of 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 to the Regulations of the Audit Committee was approved in the 2018 financial year to bring them into line with the guidelines set out therein and to make other technical improvements.

These Regulations have been amended once again in the current financial year 2020, primarily in order to adapt their content to the Recommendations amended in the partial reform of the CBG. In particular, the description of the Committee's functions was adapted to the wording of the new Recommendation 42 on the obligatory functions of Audit Committees. Among other new features, this Recommendation reinforces this Committee's specialization in supervising information and controlling financial and non-financial risks, and it extends the requirements in matters such as the whistle-blowing channel that the Company must make available to employees and other stakeholders by guaranteeing its confidentiality, as well as admitting anonymous communications in certain cases. This Committee is also assigned supervision of the communication policy with shareholders, voting investors, and other stakeholders, as well as the supervision of compliance with internal codes of conduct in view of the link between this function and risk control, specifically corruption-related risks.

Likewise, the amendment is justified by the need to incorporate certain provisions of the CNMV Technical Guide 3/2017 on Audit Committees into the Regulations, which the Company had been complying with de facto, as well as to incorporate other technical improvements and fine-tune its wording.

The functions of this Committee in relation to the Internal Control Systems include the following:

- To supervise the preparation, presentation, and integrity of the financial and non-financial information in relation to the Company, and the Group, if applicable, by reviewing compliance with regulatory requirements, appropriately delimiting the consolidation perimeter, and properly applying the accounting criteria, and by submitting recommendations or proposals aimed at safeguarding their integrity to the Board of Directors;
- To supervise the effectiveness of the Company's internal control and in particular its Internal Control System for Financial Information (SCIIF);
- To supervise and evaluate the control and management systems for financial and non-financial risks relating to the Company, and the Group, if applicable, including operational, technological, legal, social, environmental, political, and reputational risks, or corruption-related risks;
- To supervise the Company's internal risk control and management system;
- To ensure that the internal control policies and systems are effectively implemented in practice in general;
- To supervise compliance with the Company's internal codes of conduct; and
- To establish and supervise a mechanism that allows employees and others related to the Company and its Group, such as Board Members, shareholders, suppliers, contractors, or subcontractors, to communicate potentially significant irregularities, including financial and accounting irregularities, or any other kind of irregularity related to the Company that they may notice within the Company or its Group.

On the other hand, in relation to internal audit and the external auditor, respectively, the following functions can be highlighted, among others:

- To ensure the independence of the unit that conducts the internal audit, which will functionally report to the Chair of the Committee or to the non-executive Chair of the Board and propose the selection, appointment, and removal of the head of the internal audit service; and
- To submit proposals for the selection, appointment, re-election, and replacement of the auditor to the Board of Directors, and to take responsibility for the selection process.

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

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is comprised of three non-executive Board Members, two of whom are independent, including the Chair of the Committee.

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

These Regulations have been amended again in the current financial year 2020 to adapt them to the Recommendations amended in the aforementioned partial reform of the CBG, in particular: (i) to adjust the distribution of the functions related to sustainability and corporate governance among the Committees based on the new descriptions contained in Recommendation 54, with the Appointments and Remuneration Committee retaining most of the powers in this area, and (ii) to adapt the description of the Committee's advisory role in situations in which Board Members may find themselves that could affect the credit and reputation of the Company to the new wording of Recommendation 22.

The amendment is also justified by the need to incorporate certain provisions from the CNMV's Technical Guide 1/2019 on Appointments and Remuneration Committees, which the Company had been complying with de facto into the Regulations, as well as to incorporate other technical improvements and fine-tune its wording.

The functions of this Committee in relation to Appointments and Remuneration include the following:

- To evaluate the skills, knowledge, and experience required to serve on the Board of Directors and to submit to the Board proposals and reports on the appointment of independent Board Members, as well as sharing proposals on appointments of the remaining Board Members; and
- To propose to the Board of Directors the remuneration policy for Board Members and general managers or senior management positions.

In relation to the Corporate Governance System and Sustainability, the following are noteworthy:

- To supervise compliance with the Company's corporate governance rules and ensure that the corporate culture is aligned with its purpose and values;
- To annually verify compliance with the Diversity and Board Member Selection Policy and to report on this in the Annual Corporate Governance Report;
- To periodically assess whether or not the Company's Corporate Governance System adequately fulfills its mission of promoting the Company's interests and takes into account the legitimate interests of the other stakeholder groups, as applicable;

- To ensure that the Company's environmental and social practices are in line with its strategy and policy; and
- To supervise and assess the interaction processes with the different stakeholders.

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

2.2 Risk management

[102-15, 102-30]

CAF's Board of Directors approved and updated the General Risk Control and Management Policy on December 20, 2016 and November 12, 2019, respectively, to adapt the Company's comprehensive risk control and management system so that the risks of all the Group's activities are adequately managed.

The implementation of the General Risk Control and Management Policy aims to establish the basic mechanisms and principles for adequate management with a risk level that allows:

- The strategic goals set by the CAF Group to be reached with controlled volatility;
- The maximum level of guarantees to be provided to the shareholders;
- The CAF Group's results and reputation to be protected;
- Its stakeholders' interests to be defended; and
- The Company's business stability and financial solidity to be guaranteed over time in a sustained manner.

The risk management model adopted by CAF is aligned with international standards ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), in terms of using an effective methodology to analyze and comprehensively manage risk and the Three Lines of Defense Model on assigning responsibilities within the sphere of risk management and control.

The risk management model is homogeneous for the entire Company and for any type of risk. The model consists of the following activities:

1	To determine the risk management context for each activity, including the level of risk that the Group considers acceptable.
2	To identify the different types of risk faced by the Group, in line with the main types outlined in the Policy.
3	To analyze the risks identified and their implications for the entire CAF Group. <ul style="list-style-type: none"> - Corporate Risks - Those that affect the Group as a whole. - Business Risks - Those that specifically affect each of the activities/projects, which vary according to their particular features.
4	Assessment of the risk based on the level of risk the Group considers acceptable (risk appetite).
5	The measures planned to tackle the risks identified.
6	Regular monitoring and control of current and potential risks through the use of information and internal control systems

Additionally, a single risk catalog has been created for the entire Group. This catalog defines an initial risk structure level consisting of strategic, financial, legal, and operational risks and those related to corporate governance and compliance. These, in turn, are subdivided into more specific risks within each of the categories. The risk level, management type (corporate or business), and planned risk management measures are well defined for each risk category or subcategory.

Due to their nature, operational risks, corporate governance risks and compliance risks related to human rights, persons, the environment and crime commission stand out in terms of sustainability. For the above, the company intends to act at all times within the law and the values and conduct standards reflected in the Code of Conduct and the main best practices reflected in the corporate policies, under the "zero tolerance principle" towards committing illicit acts and fraud.

With respect to Recommendations from the Good Governance Code for Listed Companies, CAF complies with all recommendations related to the "duty of risk control and management".

During 2020, emphasis has been placed on adjusting and improving the methodology and management dynamics of the following risk groups: Environmental, Criminal and Competition.

Within the scope of the three aforementioned dynamics, the risk and opportunity analysis criteria have been standardized, alongside the single framework of responsibilities for risks and their supervision among the Group's range of activities.

Criminal and Competence Risk Management dynamics involved working closely with the Compliance Area. Environmental Risk Management dynamics involved working with the Environmental Forum, made up of the environmental managers for each activity.

2.3 Business ethics, fraud and corruption prevention and abiding by Competition Law

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

Code of Conduct

A good reputation is an essential intangible resource that favors a relationship of trust and value, both internally and externally, with all agents with which CAF comes into contact. To achieve this, it is essential to encourage ethical conduct that promotes the relationship between the Group and the agents involved.

Since 2011, CAF's Code of Conduct has defined the set of general regulations and principles for corporate governance and professional conduct which apply to all the Group's professionals, as well as anybody or person collaborating with or related to the Group, thereby serving as a basis for any other Codes of Conduct for any possible specific aspects which supplement the former.

The Code of Conduct is made up of three fundamental pillars (structural ethical principles, behavior criteria for CAF's professionals and implementation mechanisms), which in turn materialize through a series of specific regulations for obligatory compliance.

CAF Code of Conduct



The Code of Conduct contents are as follows:

Structural ethical principles	→ Behavior criteria	→ Implementation mechanisms
<ul style="list-style-type: none"> - Our strictest compliance with the law and human rights - Involvement of our shareholders - Quality and excellence are an essential aspect for us - CAF's reputation and prestige as our calling card - Protection and promotion of our human resources - CAF's respect for and commitment to the community and the environment - Confidentiality and transparency in all CAF's relationships 	<ul style="list-style-type: none"> - Relationship with the shareholders, seeking to maximize creation of value and transmission of true, complete and current information - Relationships with clients, based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interest - Relationships with suppliers and other collaborators, considering the value of competitiveness and quality in the selection thereof - Human resources runs personnel recruitment and management processes based on criteria of equality and integrity and promotes training and health and safety - Relationships with public bodies, with strict respect for legality and integrity, plus compliance with all competition law regulations - Relationships with the community and the environment, having defined the basic principles in the environmental policy and with a commitment to improve quality of life among people in the communities - Operations in the organized markets, following the principles of transparency and information control 	<ul style="list-style-type: none"> - Compliance Committee as the delegated body responsible for advising on adaptation of policies relating to ethical behavior and compliance with the Code of Conduct - Training related to the Code of Conduct as part of the annual training plan - Complaints channel - Measures to be taken if the Code of Conduct is violated

The Code of Conduct is available on CAF's corporate website and has been disseminated to all employees through the Portal and the corporate internal communication application, and is also systematically made available to new recruits to the Group.

● Corporate Compliance System

The ethical principles that govern CAF's actions in the market match the international standards, which is especially important in companies like CAF with a global operations scenario. The Corporate Regulatory Compliance System includes all regulations of the Internal Regulatory System, formal procedures, and material actions that aim to guarantee the actions of the CAF Group in accordance with ethical principles and applicable legislation and to prevent any incorrect or unethical conduct or conduct contrary to the law or Internal Regulatory System that might be committed by the Group's professionals within the organization. In turn, the main pillars of this System are the Criminal and Business Ethics Compliance System and the Competition Law Compliance System, which are mentioned in subsequent sections of this report.

Specifically, as the main regulation for the corporate Criminal Compliance System, the Crime Prevention Manual has been an essential instrument for ensuring the General Principles of CAF's Code of Conduct, and in turn, the Competition Law Compliance Manual, as the basic rule of the Competition Law Compliance System, complements it.

In addition, the following Compliance Department regulations with corporate scope have been approved or updated during the 2020 financial year:

- (i) Due Diligence Manual for contracting Third Parties;
- (ii) Standard Due Diligence procedure regarding Human Rights;
- (iii) Standard procedure for creating consortia with competitors;
- (iv) Standard procedure for action during CAF Group competition inspections (*dawn raids*);
- (v) Corporate procedure for managing complaints and internal investigations;
- (vi) Insider Trading and Other Relevant Information Management Manual.

Consequently it might be said that CAF runs its activity according to ethical principles with particular emphasis on preventing fraud and corruption, scrupulous respect for laws, human rights, public freedoms, and fundamental rights, the principles of equal treatment and non-discrimination, protection against exploitation of child labor, and any other principles contained in the Universal Declaration of Human Rights, the OECD guidelines for Multinational Companies and the United Nations Global Compact in the areas of Human Rights, that CAF S.A. adheres to, along with full respect for the principles and laws on Competition. This is a priority for CAF and is therefore a fundamental aspect of good governance and sustainability.

● Criminal Compliance and Business Ethics System

In developing the Code of Conduct, a crime prevention program was established within the CAF Group Crime Prevention Manual, which was approved by CAF S.A.'s Board of Directors on April 29, 2015 (first version), adapting to new items introduced in the Criminal Code at this time and which included the Code of Conduct itself as an essential part thereof.

Both documents are adapted to local legislation in each country where CAF has subsidiaries, depending on needs, which vary from a simple adaptation to adopting a complete local compliance program in certain cases.

Successive improvements and extensions have brought about a robust corporate Criminal Compliance System.

On the other hand, the Criminal Compliance risk matrix makes it possible at all times to narrow down the complete catalog of crimes that could be committed by legal persons, the so-called "relevant crimes", which are those that to a certain extent may be related to the purpose of the CAF Group's activity and, consequently, determine the actions that deserve greater attention from the perspective of preventing crimes being committed.

Of the above list, the following are specifically related to fighting corruption and bribery: (i) the offense of corruption between private individuals, (ii) the offense of bribery, (iii) the offense of corruption in international transactions and (iv) the offense of influence peddling. Money laundering is also included in the catalog of relevant offenses for the CAF Group.

CAF Group activities that merit special attention for the purposes of the foregoing may be summarized as follows: (i) bids in public tenders, (ii) execution of public and private contracts and also (iii) integral projects.

Specific management of the risks identified in the risk map takes place: (i) by applying action policies and establishing controls and risk mitigation measures, (ii) by raising awareness among all CAF Group employees affected by the Criminal Compliance System through training and dissemination activities, (iii) by managing a whistle-blowing channel that allows behaviors to be detected that, among other aspects, violate the Code of Conduct or the aforementioned Manual, and (iv) by adapting the corporate Criminal Compliance System to CAF Group subsidiaries to ensure that, in addition to making general guidelines applicable to all CAF Group subsidiaries, local regulations are followed in those countries that require specific guidelines to be established according to their own regulations.

The CAF Group's Crime Prevention Manual and its appropriate developments specify the action policies and controls that must be followed to prevent commission of the crimes identified in the risk map.

Classifying an activity as "risky" does not imply that it is unlawful or criminal, but rather that it is an activity in which, if due precautions are not taken, situations may arise that might have criminal implications.

The action policies are protocols or procedures to be followed established by the CAF Group in order to prevent commission of criminal conduct when performing risk activities.

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 Group companies, abide by the General Principles of CAF's Code of Conduct.

In this regard, the General Principles of the CAF Code of Conduct are imperative rules of conduct and ethical standards that are founded in scrupulous respect for laws, human rights, public freedoms, and fundamental rights, the principles of equal treatment and non-discrimination, protection against child labor, and any other principles found in the Universal Declaration of Human Rights and the United Nations Global Compact in the areas of human rights, labor rights, the environment, and anti-corruption.

In order to ensure the latter, a CAF Group Due Diligence Manual for contracting with Third Parties was approved by CAF's Compliance Committee in early 2020, which is a development of the CAF Group's Crime Prevention Manual and in turn, the CAF Group's Code of Conduct, and which should be interpreted in conjunction with the CAF Group's Competition Law Compliance Manual and its possible implementing rules.

Specifically, the Due Diligence Manual for contracting with Third Parties formalizes and standardizes the specific due diligence measures that must be adopted prior to and systematically when contracting with Third Parties (i.e. Business Partners, Business Consultants and Suppliers), and constitutes a corporate tool that makes it possible to unify criteria and formalize the controls that had been applied in this area.



With regard to Human Rights Due Diligence, see the relevant section of this report.

The impacts arising from such risks are financial and other more serious sanctions related to the offenses detailed above, in addition to the deterioration of the image or reputation of the CAF brand. The aforementioned impacts are directly reflected in the medium to long term in the company's activity.

● Dissemination and Training on Criminal Compliance and Business Ethics

The CAF Group's corporate internal communication application has a specific Compliance section, which gives all CAF Group employees access, in a single common location, to the most relevant regulations and working documents on Business Ethics, Criminal Compliance, Competition Law Compliance and Market Abuse. It distinguishes between corporate and country-specific, and can be accessed from any device at any time.

Compliance documents are systematically translated into the corporate languages and, sometimes, into other additional languages for countries where the CAF Group operates, including, among others: Spanish, Basque, English, Polish, French, Brazilian Portuguese, Swedish, Italian, Romanian and German.

In relation to training activities, actions continued in 2020 that were intended to continue raising awareness, disseminating and applying the Crime Prevention Manual to CAF Group staff, which began in 2016.

At year-end, training on the Crime Prevention Manual had been launched throughout the Group's consolidation perimeter. 93% of the people included in the training plan in this area have completed the training. Since the start of the program, more than 5,600 people have been trained in this area (4,762 people in 2019). More than 850 people were trained during 2020. A training system is also included in the welcome plans for new employees. All training materials are kept up to date.

By the same token, all the CAF Group's business partners, in all operating regions, are notified of the existence of the General Principles of CAF's Code of Conduct and their obligation to comply therewith.

● Adaptation of the Criminal Compliance and Business Ethics System in subsidiaries

The CAF Group's Crime Prevention Manual is binding for all the Group's national and international subsidiaries, and must also be adapted to the particularities and requirements of the legal system applicable to international subsidiaries. Consequently, and in accordance with the above, a basic adaptation is carried out for foreign subsidiaries in all cases plus a detailed adaptation according to the identified needs.

As of 31 December 2020, the international aspect of the CAF Group is made up of 72 foreign subsidiaries in 37 countries across five continents.

The basic adaptation of the Crime Prevention Manual was fully completed in the 2017 financial year for all subsidiaries that were already part of the CAF Group at that time and included: (i) the legal formalities for adopting the CAF Group's Crime Prevention Manual and (ii) recognition of the Compliance Committee, as well as (iii) training and information for governing bodies. From now on, this basic adaptation is carried out systematically, both at the time of setting up a new subsidiary and as part of the integration plan when a pre-existing company joins the CAF Group.

International adaptation in terms of crime prevention can be carried out for a specific country—and in some cases for a specific subsidiary—by, on the one hand, adapting the content of the general corporate guidelines contained in the Manual and, on the other hand, developing a Compliance sub-program that allows specific guidelines to be established, all of which will largely depend on the existing legal regulations in the country in question and on the greater or lesser flexibility granted by these rules to maintain or not maintain the common corporate model.

More specifically, in the 2020 financial year, the following set of international regulations on Criminal Compliance will be in place: (i) 7 countries in which the general guidelines contained in the Crime Prevention Manual have been adapted, (ii) 4 countries in which there is already a complete Criminal Compliance sub-program with specific guidelines, and (iii) 2 more countries in which some adaptation is in the development phase.

● Revision of the Crime Prevention Manual

It should also be noted that the Crime Prevention Manual is periodically reviewed and updated. More specifically, revisions to the Manual were made in 2016 and 2018, the latest amendment was approved by the Board of Directors of CAF, S.A. on December 18, 2018. A further revision of the Manual is planned for fiscal year 2021. Further to the approval of any new version of the aforementioned Manual or any implementation regulations in relation thereto, the appropriate dissemination and training measures will be adopted.

Notwithstanding the foregoing, the Crime Prevention Manual establishes that whenever circumstances so require, the risks of criminal conduct mentioned in the Manual shall be reassessed and the resulting internal risk map shall be updated and, in any event, such reassessment shall be carried out at least every four years.

In 2020, the global reassessment of the criminal compliance risks linked to the operational processes of each of the activities carried out by the CAF Group was completed, introducing and planning adjustments and improvements to the System.

● Competition Law Compliance System

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

In order to comply with this commitment and effectively prevent risks of non-compliance with Competition Law regulation, the decision was taken to implement a Compliance System in this area at corporate level, as was previously the case with the CAF Group's Criminal Compliance and Business Ethics System.

When implementing the above, in the 2019 financial year, the Board of Directors of CAF, S.A. approved the CAF Group Competition Law Compliance Manual, which establishes the premises of the Competition Law Compliance System, with corporate scope.

In addition, within the framework of the Competition Law Compliance System, during the 2020 financial year, the CAF Compliance Committee approved a Corporate Model Procedure for Competition Inspections (*dawn raids*), which complements this System and which, in turn, represents major corporate progress in the area of Regulatory Compliance.

To design and implement the Competition Law Compliance System, we used criteria from the corporate methodology for risk control and management and the harmonized rules on compliance existing to date, creating a model similar to that of crime prevention and business ethics.

Currently, the status of the Competition Compliance System implementation is as follows:

- (i) The Competition Law Compliance Manual has been disseminated through the usual channels, starting with Senior Management and trickling down to all levels.

With regard to disclosure measures, the specific Compliance section in the CAF Group's corporate internal communication application has been kept up to date, with a subsection on Competition Law. In this way, all CAF Group employees have been given access to all the most relevant regulations in this area in a single common place, being able to access them from any computer (via a web link from the CAF corporate website) or from a Smartphone.

Competition Law
Manual



- (ii) Training has been carried out in the parent company and in some of the CAF Group subsidiaries by means of three specific modules dealing with different topics related to Competition Law.

Specifically, on the date of this report, in the parent company and the domestic and international subsidiaries as a whole, around 52% of the 627 people included in the training plan available to date have completed the training. Among them, all members of the Executive Committee, other top-level executives, internal lawyers of the parent company and subsidiaries, Risk, Strategy and M&A managers, directors of national and international subsidiaries, and main heads of relevant departments such as Commercial, Projects, and Operations have received specific training sessions on Competition Law.

- (iii) Progress has been made in devising detailed standards with corporate scope for the integration phase. Specifically, when developing the CAF Group's Competition Law Compliance Manual, (i) the Model Procedure for assessing consortia with competitors, to be applied in the event that the Business Partners are also competitors, and (ii) a Model Procedure for action during Competition inspections (*dawn raids*) were drawn up.

A consensus has been reached on the methodology for assessing Competition Compliance risks, which has subsequently materialized in risk identification in accordance with the specific nature of each individual activity by each of the CAF Group's businesses, including setting up controls and risk mitigation measures.

● Structure of the Compliance Committee

Exercising due control by the CAF Group requires, in accordance with current legislation, implementation in the CAF Group not only of continuous control mechanisms, but also designation of internal control bodies to monitor the controls implemented and possible criminal risks, as well as to prevent commission of infringements in Competition matters, so that management of the Criminal Compliance and Business Ethics and Competition Law Systems is homogeneous.

This task of control and monitoring has been entrusted to the Compliance Committee, which has been given autonomous powers of supervision and control, and which, among other functions, is responsible for developing and supervising the Corporate Systems of Criminal Compliance and Business Ethics and Competition Law, respectively. Specifically, there is currently a Compliance Committee that adopts the most important decisions and which in turn has an Operating Committee for permanent management of Criminal and Competition Compliance, among other aspects.

The CAF Group's Crime Prevention Manual establishes that the Compliance Unit or Committee may assign a Compliance Delegate, who shall be functionally dependent on said unit or committee, in the branches or subsidiaries of the CAF Group in jurisdictions where this is either required by the local legislation in force or recommended given the size or characteristics of the branch or subsidiary.

● Whistle-blowing channel

The Crime Prevention Manual and the Competition Law Compliance Manual establish a general whistle-blowing channel for reporting complaints, which is managed by the Compliance Committee. This body periodically analyzes the reports received and, if necessary, takes the corresponding action based on the specific circumstances of each report. If a report should be understood to require greater attention, the Compliance Committee may send the documentation to the relevant department for the purpose of carrying out a joint assessment of the facts and determining the measures to be taken.

The Compliance Committee reports to the Board of Directors or to the Audit Committee or to the General Management, depending on the circumstances and nature of the alleged breaches, which were detected. In any case, the Audit Committee is responsible for supervising operation of the whistle-blowing channel.



The Manual also envisages the possibility that other means may be enabled to receive reports in jurisdictions where local legislation so demands.

The general whistle-blowing channel was set up in 2020 for all company stakeholders and any third parties, which allows employees and other persons related to the company, such as board members, shareholders, suppliers, contractors or subcontractors, to report any potentially significant irregularities at any time, including financial and accounting irregularities, or irregularities of any other nature related to the company that they may notice in any company within the Group.

The operating rules for the aforementioned whistle-blowing channel as well as the procedure for managing breaches or suspected breaches that have been detected are always available on the corporate website and cover verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) the CAF Group's Code of Conduct and any breaches of internal regulations or legislation in the areas of (ii) Crime Prevention, (iii) Competition Law, or (iv) Market Abuse and Handling of Privileged Information.

The general whistle-blowing channel accepts communications of all kinds and can always be accessed through the Group's website in the main corporate languages. This channel ensures confidentiality and the procedure provides for cases in which reports can be made anonymously, respecting the rights of the whistle-blower and the accused party. In particular, this procedure compiles the CAF Group's undertaking not to adopt any form of direct or indirect retaliation against professionals who have reported an irregular action that may be investigated, unless they have acted in bad faith. Similarly, the Compliance Committee coordinates with the person responsible for receiving complaints in other special channels that affect CAF employees, such as provided for situations regarding discrimination, harassment, mobbing or workplace safety, which are mentioned in the corresponding section of this report.

In 2020, no formal complaints have been registered in CAF's general complaints channel, although two internal investigations have been carried out and appropriate action has been taken. In 2019, two complaints were made via the aforementioned channel, and one more through an alternative channel.

2.4 Fiscal responsibility

[102-16, MA 207, 207-1, 207-2, 207-3]

● Mission and Commitment regarding taxes

The approval by the Board of Directors of a Corporate Tax Policy in 2017 made it possible, among other things, to expressly set out the principles that were already applicable internally and which were materialized when formalizing CAF's mission and its tax commitments, making all of this accessible to all stakeholders through publication of the aforementioned Policy on the corporate website together with the rest of the Corporate Policies.

A second factor, which has come to complement the above, is the Fiscal Policy Implementing Manual approved on December 4, 2018, and updated in October 2020, which is posted on the CAF Group's Corporate Portal and is applicable to all Companies in the Group and all countries in which it operates.

In essence, CAF's mission in relation to taxes consists of ensuring compliance with the tax regulations in force in each territory in which it operates to avoid tax risks and to foster its cooperative relationship with the tax authorities.

CAF's ultimate goal is to create trust and to distribute value in the national and international markets through responsible action, particularly in terms of taxes, which in turn allow a corporate strategy to be designed that ultimately achieves the following: (i) satisfies the interest groups, (ii) maintains a relationship of mutual trust with the Tax Administrations, and (iii) contributes to the improving communities by paying taxes.

● Operating Principles for Tax Matters

The following principles for CAF's actions in tax matters are the implementation of the tenets of the Code of Conduct, the Sustainability Policy, and the General Risk Control and Management Policy and should guide the actions of all persons and entities to which they are applicable:

1. To meet their tax obligations at all times, always striving to meet the deadlines stipulated by tax regulations in both paying taxes and in other tax obligations. To this end, CAF will ensure the quality, truthfulness, and security of the information and data, in addition to the accuracy of its tax declarations.
2. To collaborate with the Tax Administration at all times by providing any tax information or documentation requested by the competent tax authorities and other regulatory bodies in a complete, truthful manner and as quickly as possible.
3. To avoid using opaque structures, processes, or systems designed exclusively for tax purposes or for the purpose of hindering the Tax Administration from identifying the person ultimately responsible for the activities or the ultimate owner of the goods and rights.
4. To avoid investment or operations in or through territories classified as tax havens according to Spanish law or territories with low or zero taxation for the sole purpose of lowering the tax burden. Investments or operations in these territories shall only be allowed when they meet business needs and when the purpose thereof is to carry out the activity included in CAF's business purpose, following approval by the Board of Directors in the cases provided for by law and in the regulations.
5. To pledge to ensure that all tax-related operations are always based on a valid economic reason.
6. To prevent and reduce, to the extent possible, tax risk in its activities while always maintaining a cautious risk profile. In this respect, investments and operations that could pose a particular tax risk will be assessed.

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7. To ensure compliance with the obligations related to operations between bound parties at all times, while maintaining a responsible transfer pricing policy in accordance with the principle of full competition, thus avoiding the erosion of tax bases by establishing prices that are not adjusted to the market.
8. To responsibly manage the intangible assets at its disposal while avoiding using and generating them purely for tax purposes.

CAF's Fiscal Policy specifies that all the aforementioned principles shall be carried out in accordance with CAF's general principles, and in particular with the principles of good faith and integrity towards all stakeholders.

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● Monitoring and Control

Generally speaking, the Audit Committee and ultimately the Board of Directors are responsible for ensuring compliance with the Tax Policy by the CAF Group as a whole, and therefore it specifically stipulates the establishment of internal control mechanisms and information flows between the Economic and Financial Department and the Audit Committee, for subsequent referral to the Board.

Tax risk management is conducted within the Comprehensive Risk Control and Management System and is led by the Corporate Tax Service, which controls and monitors the main corporate tax risks of all businesses and geographic regions.

Periodically, and at least once a year, the Corporate Tax Service reports to the Audit Committee on the Company's performance in tax matters.

In addition, the Audit Committee and the Board of Directors must approve any investment transaction by the Group in countries considered tax havens to ensure that the CAF Group's activity in these countries is strictly for business purposes.

● Stakeholder Involvement and Management of Tax Concerns

The Sustainability Policy approved by CAF's Board of Directors defines the sustainability targets, principles, and commitments to stakeholders that CAF adopts in its activities. The principle of fiscal responsibility is expressly included among these principles.

The CAF Group maintains a cooperative relationship with the different Tax Administrations with which it has dealings as a result of its activity based on the principles of transparency and good faith.

It also promotes transparent, clear, and responsible communication of its main tax figures. The CAF Group is committed preparing and submitting the Country by Country Report in a timely manner. These annual reports disclose key parts of the financial statements for each of the jurisdictions in which it operates and provide visibility to local tax authorities on earnings, taxes paid, employees, and other relevant information related to its business activity.

The CAF Group's commitments in its Corporate Tax Policy regarding compliance with its tax obligations in all the territories and jurisdictions in which it operates, always pursuing a prudent tax policy, are also applicable in its relationship with external tax policy advisors.

3

RESPONSIBLE BUSINESS AND INNOVATION

“To maintain and increase both its internal technological capacity and the quality and safety of the projects, products, and services it provides to its clients, ensuring that these guarantee the Sustainability of the company.”

CAF's Sustainability Policy

December 17, 2020

3.1

Excellence in Client Relations

3.2

Quality and Safety

3.3

Innovation

3.4

Responsible Supply Chain

Proximity to the client, experience in the sector, and the quality and safety of the portfolio of high added-value solutions allow us to meet our clients' sustainable mobility needs and social expectations.

To achieve this, CAF is committed to constant innovation by channeling its R&D investment through innovation plans that encompass all the new technologies, products, and services that CAF develops to meet society's new social sustainable mobility needs.

3.1 Excellence in Client Relations

[102-4, 102-6, MA 416, MA 417, MA 418]

● Value Proposition and International Presence

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

The Group, which is a multi-business, multi-plant Company and a go-to in the railway sector, offers its clients one of the widest and most flexible product ranges on the market, from comprehensive transportation systems to rolling stock (rail and bus), components, infrastructures, signaling equipment, and services (upkeep, refurbishment, and financing). This entire value proposition is available on the company's website.

- Within the rolling stock, which is its main business line and traditional activity, the Group offers a wide array of products ranging from high-speed trains to regional and suburban trains (diesel and electric), rapid transit trains, trams, and LRVs or locomotives, among others.
- In buses, the Group offers a wide range of zero-emissions battery- and hydrogen-operated buses and has kept its leading position in the European market in 2020. Because of its contribution to the development of zero-emissions transportation worldwide, Solaris received the Global e-Mobility Leader Award in 2020.
- With a view to expanding its value proposition in sustainable mobility and contributing to decarbonization, CAF is becoming prominent in hydrogen solutions, such as:
 - Railway: Europe has chosen the consortium led by CAF to develop a hydrogen train prototype, as explained in chapter "3.3. Innovation."
 - Buses: Solaris has joined the European Clean Hydrogen Alliance, as described in chapter "6.2 Knowledge Generation."

The Group serves the most diverse range of clients around the world: from municipalities and public and private, regional and national railway administrations to other railway manufacturers and private companies, operating or maintaining railway systems, and even complex corporate structures accompanied by financial entities.

The CAF Group has a strong presence in the international market and particularly focuses on Europe; it has production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico, and Brazil. In addition, it has offices and railway vehicle fleet maintenance centers in over 20 countries across five continents, as reported on the corporate website. This proximity to its clients enables the Group to produce more efficiently and provide excellent support and maintenance service coverage.

● Client Needs and Expectations

The Management Model, personalized attention, and continuous improvement lead the Group to meet its clients' needs and expectations and to make this dedication a recommendation for future activities, as proven by the more than 200 projects or orders awarded in more than 50 countries in recent years, which translate into an extensive order portfolio and repeat clients.

As described in section "3.3 Innovation", in anticipation of being awarded a contract or order, the Group ascertains potential clients' needs and expectations and develops its Strategic Innovation Plan in technology and product, which is offered to clients in the bidding 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 so the quality, safety, design, cost, deadlines, and other requirements can be properly managed (for example: Doors). Section "3.4 Responsible Supply Chain", describes the Supplier relationship model that seeks to properly manage the transferred requirements.

Additionally, CAF uses other sources to ascertain the client's expectations not contained in the contract or order, such as direct contact, project follow-up meetings, client audits, and satisfaction surveys.

Sustainable, global mobility experience



> 200 railway projects



> 20,000 buses



> 50 markets

● Communication with Clients and Supply Guarantee

In the market prospecting phase, before a project or order is awarded, the main channels of communication with potential clients are: the website, fairs, magazines, social media, and meetings, which are usually included in the Marketing Plan.

CAF contracts include several requirements in relation to compliance with delivery periods, approval requirements, manufacturing location requirements, and other operating risks. Therefore, once the project is awarded, a multidisciplinary project team is assembled led by a manager, whose goal is to execute the contract in terms of quality, safety, cost, and deadlines, as well as to stay in constant communication with the client. This relationship allows us to anticipate the resolution of possible unforeseen circumstances in an efficient, coordinated manner.

The specific communication channels with each client are usually agreed upon with the client at the beginning of the project or order. They typically include monthly reports, project monitoring meetings at the Manager level, and quarterly high-level project monitoring meetings. In addition, the document management tool to be used to send official communications pertaining to the project, as well as the approval flow charts and valid interlocutors, are also agreed upon with the client (such as: Aconex, minutes of official meetings with the client, the Project Management Plan, Balanced Scorecard, and project indicators).

The documentation provided to the client during the project phase usually includes manuals and product safety documentation, accompanied by specific training on the proper use of the product.

In accordance with the "General Policy on Economic and Financial Information, Non-financial Corporate Information, and Information on Shareholder, Institutional Investor, and Proxy Advisor Communication and Engagement," CAF asks its clients for their assessment of the communication channels through annual satisfaction surveys, as described in section "1.2 Our Relationship with Stakeholders." The results of 2018 - 2020, have been consistently positive. The aim is to consolidate this position and expand the scope of the survey.

In addition, motivated exceptionally by Covid-19, CAF has reinforced its communication channels with clients. As can be seen from the 2020 survey, clients have rated this contingency satisfactorily. In addition, motivated exceptionally by Covid-19, CAF has reinforced its communication channels with clients. As can be seen from the 2020 survey, clients have rated this contingency satisfactorily.

● Client Relations Evaluation

CAF has two prime indicators for evaluating client relations, as they are part of the First Level Balanced Scorecard, which involves monitoring by the Executive Committee and the Board of Directors. They are first contracting, whereby the Group measures the response to clients' needs and expectations in the bidding phase, and secondly client satisfaction, as mentioned above. In addition, the Group has defined other Second Level indicators used in its Businesses and Processes, which determine the improvement actions needed.

Indicator	Measurement	Scope	Evolution	Prospects
Contracting	New contracts	Group	Decline Worse than Target	Improvement
Customer Satisfaction	Questionnaire	> 80% sales	Stability Aligned with Target	Stability

With regard to contracting, Covid-19 has shifted several of the tenders planned for 2020 to later financial years, which has prevented CAF from meeting its contracting expectations. The Group aims to return to pre-pandemic contracting levels for the following reasons:

- Prospects for the recovery of the rail transportation and urban mobility sectors. Circumstance confirmed by the 2020 UNIFE World Rail Market Study for railways.
- Continuous development of urban electromobility.
- Inherent sustainability of rail transportation in general.
- The authorities' firm commitment to sustainable mobility, promoted by the European Green Deal, as part of the European Reconstruction Plan.

In the project execution or order delivery phase, our clients' satisfaction is the main indicator to measure their direct perception of the elements comprising CAF's value proposition and to identify factors that allow us to improve our competitiveness.

Despite the impact that Covid-19 has had on our client relations, an unplanned contingency, the Group has reached the targets set for 2020 and shows a positive trend in 2016-2020. These results reflect the fact that actions are well targeted and that CAF responds positively to client needs and expectations.

With a focus on continuous improvement, the Group has established actions to further improve the indicator in the future, regardless of the specific actions established for each client and led by the Project Manager or Area Manager.

We can highlight several relevant considerations on the customer satisfaction survey, such as the fact that most of our clients:

- Would repeat their experience with CAF (loyalty).
- Would recommend CAF to other clients (prescription).
- Consider CAF better than the competition (positioning, value proposition).
- The measures that CAF implemented to mitigate the impact of the crisis generated by Covid-19 have been adequate.

3.2 Quality and Safety

[MA 416, 416-1, MA 417]

At CAF, we believe that in order to provide our clients with safe products and services and achieve maximum client loyalty, we must involve all stakeholders in our operational processes (design, supply, manufacturing, validation, delivery, warranty, and maintenance).

Thanks to this extensive experience in developing and implementing the Management System, CAF partners with other interested parties (operators, maintenance companies, suppliers, integrators, etc.) in working groups led by UNIFE with the aim of developing and improving international quality and safety standards.

● Quality

In accordance with the provisions of the Sustainability Policy and Vision, the Group has defined the corporate-wide Quality Excellence Policy with the aim of establishing the basic principles that enable it to meet clients' needs and expectations by offering high quality, safe, reliable, and available products and services. The Economic-Financial and Strategy Management (CFSO) is responsible for ensuring compliance with this Policy, and it is monitored and controlled monthly by the Corporate Management Model Committee with the participation of the Group's Executive Committee, all of which are responsible for implementing this policy.

The main risks that CAF faces if it does not comply with its commitments in this area are as follows: (i) difficulty establishing a trusting relationship with its clients, (ii) breach of contract and possible client claims, and (iii) client dissatisfaction with either the product/service or the product/service development process along with CAF.

The impacts of these risks may ultimately lead to claims related to client-committed projects, reputational damage to CAF's image, and a decrease in the number of future orders. These impacts will have direct effects in the short, medium, and long term, respectively. Management of these risks is integrated into the Corporate Risk Control and Management System outlined in chapter "2.2 Risk Management."

In order to meet client expectations throughout the life cycle and ensure compliance with the applicable legal requirements, the Group has implemented its own quality and safety management system, which includes an evaluation of all the Group's significant product and service categories. This system defines the procedures for clients to file claims and complaints and describes the mechanisms for monitoring and resolving them, as well as the monitoring of specific indicators.

In addition to the aforementioned contracting and customer satisfaction indicators, the non-quality cost indicator is also used to assess proper implementation of this principle. Client complaints, among other things, are classified as non-quality costs. These complaints require immediate remedial actions, a root cause analysis, and the establishment of definitive corrective actions. The evolution of the aforementioned indicator for the 2016-2020 period has been favorable and in line with the targets set, as has the result of the customer satisfaction surveys mentioned in the introduction. All the management system improvement measures indicate that the Group will continue to improve in this indicator in the coming years.

Indicator	Measurement	Scope	Evolution	Prospects
Non-Quality Costs	Internal	> 70% sales	Positive. Better than Target	Expand scope Improved result

Additionally, CAF management pledges to implement Quality Management Systems by Processes in our organizations in order maximize customer satisfaction and loyalty, while balancing this with the attainment of results by other stakeholders. This Management System is certified or accredited under different standards; those related to quality and safety are highlighted below.

Certification	Scope	Scope (2020 Headcount)	Prospects
ISO 9001	Quality Management	~ 90% Group	Stability
ISO TS 22163 (IRIS)	Quality Management specific to the railway sector	~ 80% Railway (design and manufacture)	Expand scope
EU 402/2013 EU 445/2011 EU 779/2020	(402) Operational Safety Management (445-779) Maintenance Safety Management	~ 85% Rail Europe	Stability
EN 50126	Safety Management System	~ 90% Railway (design and manufacture)	Stability
ISO 27001	Cybersecurity Management	~ 30% Group	Expand scope

The Management Model is implemented throughout the Group, so the real scope of the system in each area exceeds the scope of the certificates. The Model is adapted to local laws, client requirements, or the specificity of the activity.

In addition to project audits conducted by clients to ensure CAF's compliance with contractual requirements, CAF also conducts annual internal audits in order to continuously improve the Management System and ensure compliance with the requirements of the standards in which we are certified or accredited.

Finally, it should be noted that CAF is a founding member of the International Rail Quality Board (IRQB), a global consortium that brings together leading companies in the railway sector: operators (clients), systems integrators (competitors), and equipment manufacturers (suppliers). Established in September 2018, the IRQB aims to foster a global culture of quality throughout the rail industry, especially by promoting the use of the IRIS Certification® system worldwide to ensure high product quality. We believe that better quality will ultimately improve daily mobility in sustainable and collective transportation, rail, and bus.

● Safety

In accordance with the provisions of the Sustainability Policy, in 2020 the Group defined the corporate-wide Safety Policy with the goal of setting forth the basic principles that will enable us to offer safe products and services to users, clients, and other stakeholders. For these purposes, safety is understood to encompass everything concerning the physical safety of the people, who use CAF's products and services, as well as their digital safety or cybersecurity and that of our facilities. It is the job of Corporate Technology Management (CTO) to ensure compliance with this Policy, and to this end, it has put into place all the necessary internal control mechanisms outlined below.

Failure to comply with safety commitments in the area in which CAF operates can even have an impact on human health. The risks that CAF faces in this area include, in order of the time frame of the impact, are: (i) paralysis of operations in the event that a safety problem has occurred or is suspected, (ii) recalls of products and services suspected of being unsafe, (iii) sanctions and/or legal claims filed by clients or other affected parties, and (iv) reputational damage impacting the company's relationship with all its stakeholders. The management of these risks is integrated in the Corporate Risk Control and Management System outlined in chapter "2.2. Risk Management."

As the Corporate Safety Policy states, CAF's goal is to promote and continuously improve the safety management included in the management model so that it enables us to comply with legal and contractual obligations, in addition to meeting the needs and expectations of our clients and other stakeholders.

The Safety Management System is integrated into the Group's Management System and has the certificates or accreditations mentioned in the previous section.

The Safety Management System (Railway) certificate verifies compliance with the requirements of Regulations (EU) 402, 445, and 779 concerning the adoption of a common safety method for risk evaluation and assessment, and the safety reference standard EN 50126 "Railway Applications. Specification and demonstration of reliability, availability, maintainability, and safety (RAMS)."

In addition, it is common for clients or the relevant authorities to also require certification of the project by an ISA (Independent Safety Assessor) and subsequent product approval and certification.

In Buses, the products are approved according to the CAF safety standard. Additionally, due to client or market requirements, the bus is finally approved as an end product. ISO 26262 "Functional Safety in Automotive Electronics" has been taken as a reference to strengthen our safety system.

Additionally, the trends in railway products in terms of providing passengers with additional services, running functionalities remotely, and using the most widespread communications systems (Ethernet, Wi-Fi, 4G, 5G, etc.) necessitate a reinforcement of cybersecurity at all levels. Consequently, the Group has defined a Cybersecurity Master Plan, which is in the process of being implemented. Cybersecurity training and awareness-raising activities have been conducted to this end. The following stand out by way of example:

- Cybersecurity training actions geared at Engineering, Project Management of railway vehicles.
- Technical Cybersecurity training for the work teams in the Digital Train initiative (LeadMind product, etc.).
- Presentations on cybersecurity awareness to the Group's Corporate Management, and activities in which the Cybersecurity Master Plan was also presented.
- Qualifications of the Cybersecurity team in line with the regulatory needs of the regulation used as the reference (IEC62443).

Likewise, in the aforementioned policy, CAF is committed to protecting people from accidents and incidents caused by or related to our products and services, both physical and IT-related. For the latter, specific cybersecurity management activities are planned and carried out on a regular basis in client projects.

As can be seen in the indicators below, early identification of safety incidents in our products and services, as well as in our information systems, such as security breaches that could lead to potential accidents with personal injury or information security, reveal that the safety system implemented guarantees fulfillment of the goal of 0 accidents and 0 information leaks or hijacking.

The evolution of the indicator of "potentially serious" cybersecurity incidents measures the number of attacks recorded and shows an upswing primarily for two reasons: greater use of digital solutions due to the Group's digitalization process, which has been accelerated by Covid-19 and an increase in cyberattacks from abroad. However, as mentioned above, none of the "potentially serious" incidents recorded have involved information leaks or hijacking. Despite the positive results, and in order to keep pace with the increased risk, the Group has defined a plan to reinforce its cybersecurity system.

Any security and cybersecurity incident or accident requires immediate remedial actions, a root cause analysis, and the establishment of definitive corrective actions.

Safety Indicators	Measurement	Scope	Evolution	Prospects
Health and physical safety				
Safety Incidents	Safety incidents per year caused by our products/services	Group	Stability. Aligned with Target.	Stability
Accidents	Accidents per year caused by our products/services involving personal injury	Group	0 accidents Aligned with Target.	Stability
Cybersecurity				
Potentially serious incidents	"Potentially serious" cybersecurity incidents per year	Group	Increase. Above the Target.	Increase
Actual serious incidents	Actual serious cybersecurity incidents per year (data leaks or hijacking)	Group	0 actual serious incidents. Aligned with Target	Stability

Finally, CAF is a member of UNIFE's Safety Assurance Mirror Group. This group contributes to ERA activities in relation to the Railway Safety Directive (EU) 2016/798, which sets forth provisions to ensure the development and improvement of the safety of the EU rail system. It contributes to developing and applying the Common Safety Methods (CSM) and Entities in Charge of Maintenance (ECM) Regulations, as well as ERA activities in Safety Culture and Human and Organizational Factors.

The group also shares issues related to standardization, such as the set of railway safety standards EN50126, EN50128 and EN50129.

CAF is also a member of the "CENELEC WG26" forum, which aims to establish the Railway Standard on Cybersecurity, based on IEC62443.

3.3 Innovation

CAF attaches great importance to continuously innovating its range of products and services to respond to the global trend of increasing mobility and limiting fossil fuels and climate change, which directly influence the sustainability of the transport sector.

This materializes in activities to generate new knowledge and develop new technologies and products aimed at offering more advanced transport solutions, considering both the needs as perceived today and global mega-trends and future visions of passenger transport that will enable more efficient, accessible and environmentally 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 makes it possible to align technological and product/service development activities with the company's main strategic challenges identified by the Management, which seek to develop sustainable solutions for our clients while guaranteeing our competitiveness.

The Strategic Innovation Plan is put into practice through the Annual Innovation Plan, which consists of Annual R&D Plan & Product Plans.

● R&D Plan - CAF Group

CAF's R&D Plan combines CAF Group's activities to generate knowledge and technology, which allow it to differentiate itself from its competitors, with its participation in the main collaborative R&D initiatives in the sector, such as those described in the following section, through which the CAF Group actively participates in evolving the railway sector as a whole.

Within the variety of activities and lines of work included in the R&D Plan, the following deserve special mention due to their alignment with society's current and future priorities.

Energy and Environment

Within the framework of a coordinated strategy aimed at reducing environmental impact, several areas of work can be distinguished:

- Development of 1) on-board energy accumulation systems (based on batteries and supercapacitors) and fast-charging systems; and 2) new hydrogen-based propulsion systems; both solutions can be applied to the circulation of vehicles on infrastructure without a continuous electrical power supply.
- Development of specific technologies aimed at reducing the energy consumption of vehicles, either by improving efficiency (e.g. power equipment based on new Silicon Carbide transistors, aerodynamic improvements, etc.) or by making the vehicle lighter (e.g. new materials, simplification of architectures, reduction of wiring, etc.).
- Intelligent management of the energy used by the vehicle, including 1) driver support systems, 2) efficient automated driving systems and 3) smart systems for managing the operation of equipment.

Digitization

CAF is aware of the great importance of the digital transformation process currently taking place across society, which is why it dedicates a significant part of its R&D effort to developing its own vision of digitalization for rail and bus transport, advancing along the following lines:

- Development of technology to provide an infrastructure to capture and transmit data 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 to develop applications in areas of special importance such as diagnostics, maintenance, energy consumption and operation.

● Product Plans - CAF Group Activities

The Product Plans include projects to improve and develop products and services based on technologies already consolidated at CAF.

Some of the most representative ongoing activities are:

- Integrating hydrogen cells and/or battery modules in trains and buses to replace diesel engines to enable circulation on non-electrified sections and thus reduce gas emissions and exterior noise.
- Reducing the energy consumption of power equipment through the use of silicon carbide semiconductors (SiC).
- Reducing the weight of vehicles by optimizing the dimensioning of equipment and using lighter materials or solutions in a way that results in lower energy consumption.
- Reducing interior and exterior noise by applying insulating and/or absorbent solutions.
- Developing signaling systems for the automated driving of trains to increase the capacity of lines and ensure energetically optimized operation.

● Notable innovation projects underway or completed in 2020

Below are some of the notable projects from 2020 within the Technology and Product Innovation activities that have an impact on the CAF Group's activities as a whole. CAF is aware that the key to innovation lies in knowledge and in the people who develop it, which is why it maintains its commitment to increasing internal technological development capacities.

The European initiative Shift2Rail, currently one of the main agents for change within the railway sector, is noteworthy in this respect. It is a large European initiative within the Horizon 2020 Framework Program dedicated to research and innovation aimed at accelerating the integration of new technology in the rail industry. Shift2Rail brings together the major players in the European railway sector; CAF is significantly involved as one of the eight founding members of the initiative, and is responsible for coordinating the "Innovation Program 1: Rolling Stock," which includes all vehicle-related developments. The following projects are noteworthy within the Shift2Rail framework.



European Project Fine 1 and Fine 2

FINE1 and Fine 2 are projects launched within the Shift2Rail framework with the aim of developing improvements in the areas of noise and energy. The aim is to research technologically innovative solutions that will help reduce the noise and energy consumption of railway systems. CAF has a notable participation in the project.



Connecta-2 European Projects

Connecta-2 is a project launched within the Shift2Rail framework aimed at radically evolving the train control, diagnosis and monitoring system (TCMS). It seeks to incorporate advanced capacities such as wireless communication in the train's network, the ability to carry out high safety functions (SIL4) and the validation of system functioning before it is put into operation. These advances support the digitalization and automation trends in the rail sector. In addition to being one of the main contributors on the technical side, CAF coordinated the Connecta-2 project for the entire consortium. The Connecta-3 project will be launched in 2021 to validate the advances made in the previous projects on an urban demonstrator vehicle.



European Projects PINTA and PINTA-2

PINTA and PINTA-2 are projects launched within the Shift2Rail framework 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 its energy efficiency. Measures are also being developed to increase the reliability and availability of traction equipment, in addition to reducing the time and cost of 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, X2Rail-3, X2Rail-4 and X2Rail-5

X2Rail-1, X2Rail-2, X2Rail-3, X2Rail-4 and X2Rail-5 are projects launched within the Shift2Rail framework with the aim of developing a control, command and communication system that goes beyond just contributing to the control and safe separation of trains to become an intelligent, flexible and real-time traffic management and automation system. They are working to overcome the limitations of existing communication systems, improve usable track capacity, innovate signaling architectures towards more decentralized and less costly systems, minimize energy consumption and develop new cybersecurity systems. CAF is a notable participant in the project.



European Project PIVOT-1 and PIVOT-2

The PIVOT projects are aimed at developing new technological concepts for the next generation of rolling stock, applied to important subsystems such as Structure, Bogie, Brakes, Doors, Modular interiors and HVAC.



The goal of the PIVOT-2 project is to create lighter, more energy-efficient passenger trains that are more comfortable for passengers and have less impact on the track to reduce the lifecycle cost of the entire rail system. In short, the aim of this initiative is to develop technologies that increase the operational reliability of trains. CAF is a notable participant in the project.



European Project IN2STEMPO

IN2STEMPO aims to reduce lifecycle costs and improve reliability and punctuality, while increasing capacity, improving interoperability and enhancing passenger experience. The activities of IN2STEMPO Smart Power Supply seek to contribute to developing a smart rail network based on the development of a single rail power grid in an interconnected system. CAF Turnkey & Engineering is a notable participant in the project.



European Project FR8RAIL

The main goal of the FR8RAIL project proposal is to develop functional requirements for attractive and sustainable European rail transport.

The objectives of FR8RAIL are to reduce the cost of freight transport by 10% (in tonnes per km), to reduce time variations during dwelling by 20% and to increase the attractiveness of logistics chains by making 100% of rail freight information available to logistics chain information systems. CAF is a notable participant in the project.



European Project LINX4RAIL

The EU-funded LINX4RAIL project will develop and advance a common sector-wide functional railway system architecture supported by a conceptual data model (CDM). The aim of the project is to create a standard that ensures sustainable interoperability between systems. CAF Signalling is a notable participant in the project.



European Project FCH2RAIL

The FCH JU, the European Commission agency dedicated to promoting the development of hydrogen and fuel cells, has selected the FCH2RAIL proposal technically led by CAF to develop a hydrogen-powered railway prototype.

The main objective of the FCH2RAIL project is to design, prototype and approve the next-generation hydrogen train based on a new concept of electric/hydrogen bi-mode traction. The train will be able to operate on the electricity provided by the catenary and, in non-electrified sections, on the energy obtained from hydrogen cells and on-board hydrogen. This train will also incorporate batteries to significantly reduce its consumption.

Another important goal of the project is to collaborate on defining the regulatory framework for putting this type of vehicle into service.

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



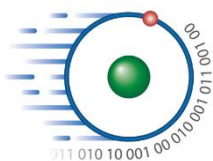
ASSURED Project

A research and innovation project aimed at promoting the electrification of urban commercial vehicles and their integration with high-power fast-charge infrastructures, evaluating various infrastructures in different cities throughout Europe. The main purpose is for each of these solutions to be capable of charging various types of vehicles and to be designed to power an entire fleet of buses. Solaris participates in the research on the stability, security, reliability and standardization of the electrical grid, helping to collect data from vehicles.



TRUSTONOMY Project

The TRUSTONOMY Project is a project launched under the Horizon 2020 Framework Program. The goal of the project is to maximize the safety of, trust in and acceptance of autonomous vehicles. Trustonomy's research is based on performance, ethics, acceptability and trust, and different relevant technologies and approaches, such as Driver Condition 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 testing procedures and in defining the guidelines for integrating the system into the vehicle.



FCS VIRTUAL Project

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



Project StasHH

This project will develop an open standard for fuel cell modules in terms of size, interfaces, control and testing protocols, with the aim of boosting the use of hydrogen fuel cells in the heavy mobility sector when electrification with batteries is not practicable.

3.4 Responsible supply chain

[102-9, 102-17, MA 204, 204-1, MA 308, 308-2, MA 414, 414-2]

● Supply Chain Management Model

Suppliers, as the main Stakeholders, play a decisive role in the Group's ability to deliver quality products and services to its clients. As stated earlier in this chapter, as an organization with a clear client focus, CAF seeks to make its differential value contribution by trusting in reliable supplier organizations and conveying needs and expectations to them in a structured way to correctly manage requirements.

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

The Corporate Supplier Forum, which includes the managers of the Group's main Purchasing Organizations and of Supplier Quality, Risks and Compliance, continued its work in 2020 with three objectives:

- Unify policies, ways of doing things and management tools.
- Identify and exploit synergies.
- Maximize the value contribution of suppliers to the organization.

In this regard, this Forum has taken a decisive step in 2020 by drawing up the Corporate Purchasing Policy, which defines and specifies the management model to be followed by all the Group's Business Units when managing their collaboration with their suppliers. Importantly, this Policy includes the commitment to promote Sustainable Purchasing in line with the requirements set out in the Corporate Supplier Code of Conduct.

The following social, ethical and environmental risks have been identified: (i) suppliers' violation of business ethics; (ii) suppliers' failure to comply with laws and regulations; (iii) disregarding of human rights, and (iv) participation in corruption (bribes).

The impacts of such risks could result in losing suppliers and penalties/breaches of customer contracts or damage to CAF's brand image or reputation. Both impacts have a direct short-term repercussion, however they may last into the medium term due to the need to find replacement suppliers.

These risks are integrated into the corporate risk control and management system detailed in the second chapter, which provides a sequence of activities aimed exclusively at managing them. This process meets the requirement to complete the framework's risk and opportunity analysis.

● Communication with suppliers

CAF is aware that good communication and the exchange of information between the company and its suppliers are key factors in maintaining efficient processes and long-term business relationships, which is why it chooses to maintain a two-way dialog through Supplier Satisfaction Surveys.

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

In addition, all suppliers have a specific and differentiated communication channel available to clear up any doubts about the Code of Conduct or the Supplier Code of Conduct (procurement@caf.net), and another channel to report any actual or potential conflicts of interest, as well as any breach of ethical business principles by CAF professionals, to CAF's Compliance Committee

(whistleblowerchannel.suppliers@caf.net). No notifications of conflicts of interest or breaches of ethical business principles were received through this whistle-blowing channel in 2020.

● Development of local suppliers

The CAF Group is committed to developing supply chains in countries where its most significant operations are located.

One example of this is that in 2020 the percentage of spending on local suppliers in countries with significant operations rose to 65%³ (it was 58% in 2019). In this way, CAF not only guarantees supply and maintains a relationship with the community, but also works to promote a stable local economy.

Likewise, the Vehicles activity has continued its program to develop small and medium-sized local suppliers, with whom it is working to adapt processes and capacities to the Vehicles activity's growth strategy, as well as to improve performance in terms of deliveries, quality and profitability. The Covid-19 pandemic has made this program particularly difficult to carry out due to the difficulty of organizing face-to-face meetings. For this reason, only two suppliers participated in the program in 2020.

Additionally, CAF launched a new supply chain organization and extended industry project with 10 strategic local suppliers in 2020, with the aim of improving the resilience and competitiveness of its suppliers. This project aims to multiply their efficiency by integrating and synchronizing shared logistics processes. The initiative has the support of the Provincial Council of Guipuzkoa's Etorbizuna Eraikiz program and the cooperation of the Tecnológica Igarle consultancy.

● Approval of suppliers

As a general rule, all new suppliers are evaluated in terms of their ability to deliver 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, evaluating the following aspects:

- Sustainability, Environmental and Occupational Health and Safety management certifications, among others⁴.
- Product Quality Management related to the IRIS certification⁵.
- Compliance with CAF's Code of Conduct.
- Compliance with the Sustainability Policy.

In the Vehicle activity, in addition to the aspects mentioned above, an audit must be carried out at the supplier's facilities as an essential condition for approval. As a result of this process, the supplier's capacity is rated as A (Optimum), B (Subject to Conditions) or C (Insufficient). Environmental and social criteria were evaluated in all the audits performed on approved suppliers in 2020.

● Evaluation of suppliers

Once a supplier has been approved, its performance is periodically evaluated through indicators, based on objective and quantifiable criteria. The five most important indicators are detailed below:

- Compliance of the deliveries Plan
- Product quality
- Reliability of equipment
- Safety incidents
- Sustainability

³ This includes data for purchases made at the Group's relevant plants, which account for 90% of CAF's workforce. A supplier is considered to be local when it is located in the same country as the activity that contracts its services.

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

⁵ Risk analyses, quality certificates and supplier management, among others, are evaluated.

In the event that a supplier's assessment reflects an insufficiency, the supplier is encouraged to implement an action plan to improve the identified weaknesses. The monitoring of this action plan takes place in a forum including the purchase managers and experts associated with each performance indicator: SQA (Quality), Activation (OTIF), Safety and Maintenance (Reliability).

● Sustainability in the Supply Chain

Supplier Code of Conduct

The CAF Group requires all its suppliers to comply with the ethical principles contained in CAF's Code of Conduct published on its corporate website, which includes social, ethical and environmental commitments⁶.

In addition, the Corporate Supplier Code of Conduct, which is available through the corporate website and the usual means of internal communication, describes commitments to comply with the general principles of the code of conduct, working conditions, health and safety, environment, business ethics and confidentiality.

The implementation of the requirement for suppliers to accept this Code in the qualification processes for the Group's various activities continued in 2020.

Through it, CAF reserves the right to verify the compliance of its direct suppliers. This verification may take place through various means, for example, through self-assessment questionnaires or audits at the supplier's facility. In addition, the Supplier Code of Conduct requires CAF's suppliers to pass on the same sustainability requirements to their own suppliers.

Supplier sustainability assessment

To obtain sustainability assessments for suppliers of the Group's main activity - vehicle manufacturing - priority is placed on 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, among other factors.

The assessment is performed by the company Ecovadis, a world leader in this area with the sustainability assessment platform chosen by the members of the Railsponsible initiative to assess suppliers' sustainability management. Ecovadis adapts the assessment questionnaire to each supplier based on its operating locations, sector, and size, assessing 21 aspects of sustainability in line with the strictest international rules, regulations and standards like the Global Reporting Initiative (GRI), International Labor Organization (ILO), UN Global Compact, and ISO 26000. The suppliers' responses are assessed by specialized analysts who pay particular attention to ensuring that the documentary evidence is consistent, recent, and provides an overview of Policies, Actions, and Results. This analysis results in an overall score of up to 100 points, representing excellent sustainability management. When the result of an assessment does not comply with CAF's requirements, the supplier is requested to implement an action plan to improve the weaknesses identified. In the event that the supplier does not improve its assessment to acceptable values or does not show a commitment to improving, it is audited by experts in the field.



⁶ Data representing 76% of the purchases made at the national and international subsidiaries of the main activities throughout 2020 (Rolling Stock, Railway Services, Components, Signaling, Power and Traction Equipment and Engineering and Bus).

Results of the Responsible Purchasing Program

The main results of CAF Vehicles' Responsible Purchasing Program for 2020 are shown below.

	2020	2019	
Number of suppliers evaluated	46	39	
Coverage of sustainability evaluations compared to the amount of Materials and Equipment purchased	57%	55%	
General sustainability indicator	Of the CAF Vehicles suppliers	55.7/100	52.9/100
	Of all the suppliers evaluated by Ecovadis worldwide	43/100	42.9/100
Evolution of CAF's suppliers' sustainability indicator	Improvement	65%	50%
	Stability	19%	20%

In terms of supplier risk, just like in 2019, no materials or equipment were purchased this year from suppliers with a high sustainability risk, and the percentage of purchases made from suppliers with medium-high risk was 2 percentage points lower than last year, 5%.

Likewise, sustainability audits have been performed on two suppliers classified as medium-high risk in order to evaluate their sustainability management and to promote the establishment of an Improvement Plan. Additionally, a potential social risk was identified for one of the suppliers included in the responsible purchasing program, and a sustainability audit was also performed, executed and supervised by the relevant bodies.

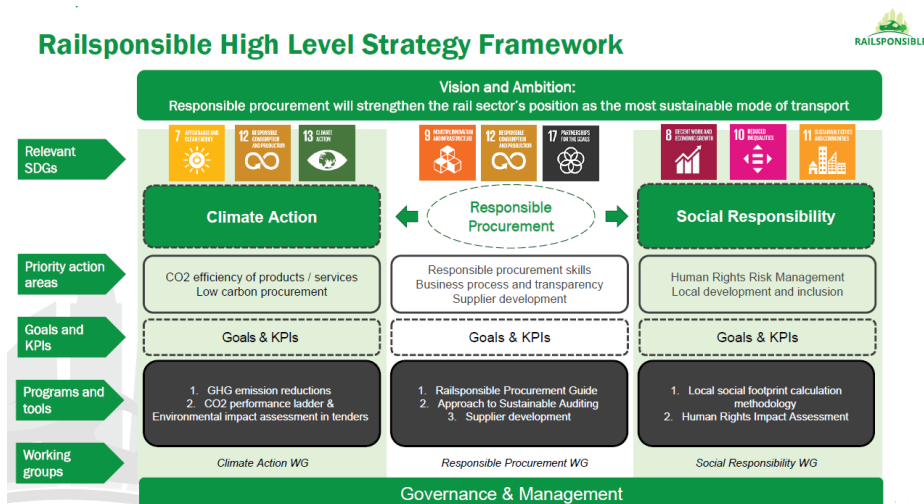
With a view to 2021, it should be noted that it has been agreed to extend the Responsible Purchasing Program to the Group's main activities.

Railspensible

CAF continues to participate in the Railspensible sector initiative, where it collaborates with other stakeholders to develop sustainable practices throughout the railway industry value chain.



Notably, 2020 saw the approval of the 2020-2025 strategy, which proposes action against climate change and social responsibility as priority axes and responsible purchasing as the main lever. The following image shows the high-level strategic framework of Railspensible.



Meanwhile, although collaboration among members of the initiative has been hampered by the pandemic, progress has been made on the supply chain risk prioritization working groups, as well as on creating training materials for buyers.

Training and awareness raising

CAF is aware that this dynamic requires strong participation from the purchasing teams, so during 2020 the training and awareness-raising effort was aimed at managers from the Purchasing, Supplier Quality, ORP and Environment Organizations that take part in the Suppliers' Forum, resulting in 26 people trained.

4

THE EXCELLENCE OF OUR TEAM

“CAF is committed to promoting the professional development of its employees and to using the necessary means to eliminate or reduce occupational risk by promoting a culture of prevention among all the people who work at CAF. Additionally, CAF is committed to respecting diversity, the right to equal treatment, and equal opportunities in access to work, training, promotion, and working conditions, as well as the integration of people with disabilities.”

*CAF's Sustainability Policy
December 17, 2020*

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 are key

The people who make up the CAF Group are key to developing a sustainable project, as reflected in the Sustainability Policy and Code of Conduct.

These commitments are deployed through the Corporate People Management Process, which defines its own common standard for the Group's companies as a whole. Its comprehensive nature implies a broad scope; from ensuring organizational adequacy, including recruitment and internal mobility activities, to the assessment and qualification of professionals, as well as their training and development. In addition, it includes policies on remuneration management and labor relations.

The activities in 2020 included the culmination of the deployment of the most relevant chapters of the corporate people process, which was initiated in 2018 in all of the Group's main activities, and which will continue to be extended in the coming period.

Likewise, in 2020, a reflection took place that resulted in the prioritization of the organizational health index, mentioned in the introductory chapter and reflecting the perception and opinion of the people, for 2021, as a first level indicator and therefore reviewed quarterly by the Executive Committee. In this respect, studies have been deployed in all the main activities, covering almost 80% of the Group's workforce. The deployment and monitoring of the process and the improvement plans arising from the organizational health studies will contribute to generating a shared culture within the Group.

The following risks have been identified in this area, related to both the prevention of occupational risk and the appropriate professional development of employees: (i) staff turnover (ii) insufficient professional training and development (iii) lack of diversity and equal opportunities (iv) accidents and elements that affect health.

The impact of such risks can result in reduced employee productivity, a deterioration in employee health and motivation, and penalties related to employee job security. Given that the materialization of these risks and their impact is progressive, it is reflected over the medium-term.

The aforementioned policies, code of conduct, and procedures specify the basic principles of action, procedures, and controls necessary to deal with people-related issues.

The corporate-scale risk control and management system integrates the previously detailed risks and provides a sequence of activities aimed exclusively at managing these. This process fulfills the requirement to complete a risk and opportunity analysis for this framework.

Attracting talent

At CAF, talent management is a key factor in the organization's success. That is why attracting, developing, and retaining talent are critical phases for the company. As a global company, it has a specific recruitment process, included in the people management process, which defines the common corporate framework for recruitment and internal mobility comprising an initial approval phase of the recruitment plan, a selection process that can be both internal and external, hiring, and finally the induction plan. Through this process, equal access opportunities are guaranteed.

Among the actions that CAF is currently carrying out to provide the appropriate resources for the various activities in the different geographical areas, the following stand out: presence at national and international job fairs, open days, and the publication of job offers through different employment platforms or in the corporate portal. It is also worth highlighting CAF's participation in initiatives such as "Gipuzkoa Talent", held virtually this year, aimed at contacting professionals who are working abroad and who wish to continue developing their professional careers in the companies that are the science and technology fabric of the Basque region.

In 2020, the Group's average workforce increased to 13,082, with a workforce of 13,057 people as at 31 December 2020⁷. In this regard, the CAF Group increased its average workforce by 598 people in 2020, mainly due to the full incorporation of Euromaint, integrated into the Group in July 2019. However, the workforce at the end of the period was slightly reduced, by 122 people, thus adapting to the needs of the Group in its different activities and geographical areas.

CAF Group Workforce

	12.31.2020	12.31.2019	Evolution
University Graduates	4,216	4,015	▲ 201
Middle Management and Administrative Personnel	2,170	2,194	▼ 24
Production and Services	6,671	6,970	▼ 299
Total	13,057	13,179	▼ 122

The workforce of the main company at the end of the period stood at 4,138 and in average terms, 4,220.

CAF, S.A. Workforce

	12.31.2020	12.31.2019	Evolution
University Graduates	1,225	1,205	▲ 20
Middle Management and Administrative Personnel	652	657	▼ 5
Production and Services	2,261	2,452	▼ 191
Total	4,138	4,314	▼ 176

Below is the distribution of employees according to representative diversity criteria: gender, age, and country.

Age Distribution

(% of workforce at end of period)

	2020	2019
Under 30	14%	15%
30 to 50 years of age	69%	69%
Over 50	17%	16%
Total	13,057	13,179

Gender Distribution

(% of workforce at end of period)

	2020	2019
Men	85%	85%
Women	15%	15%
Total	13,057	13,179

⁷ The data has been obtained from the information systems of each company, taking into account workers under temporary suspension of employment on a full-time, year-round basis, as their impact is not considered to be significant in general terms. In order to carry out the activities in its facilities for which the company considers it necessary to use subcontracted personnel, CAF follows the criterion of signing service provision contracts, in which it defines the type of activities to be carried out. CAF supervises the subcontracting activities that take place and does not consider it necessary to keep statistics on subcontracted personnel, as this is not considered significant. Therefore, this document does not include the information on subcontracted personnel required by the GRI Standards in texts 102-8 and 102-41.

Distribution by Region

(% of workforce at end of period)

	2020		2019	
	Region %	Country %	Region %	Country %
Europe⁸	88%		88%	
Spain		50%		50%
Poland		19%		18%
Sweden		8%		8%
U.K.		5%		5%
Rest of Europe		7%		7%
The Americas⁹	9%		9%	
Brazil		3%		3%
Mexico		2%		2%
United States		2%		2%
Rest of the Americas		1%		2%
Rest of the World	3%		3%	
Total	100%	100%	100%	100%

In this same area, voluntary turnover¹⁰ among the Group's employees stood at 3.8% in 2020. (5.4% in 2019).

Quality employment

CAF strives to create stable, quality employment. Employee experience and knowledge are one of the key factors that have facilitated CAF's current competitive position in all its activities. The percentage of permanent staff in the CAF Group at the end of the period stood at 92%, three percentage points higher than in 2019. Among women, this percentage rose to 90% (87% in 2019). From a geographical perspective, all the countries in which the CAF Group has a significant presence have more than 90% permanent employees (86% in 2019). Similarly, the percentage of permanent staff by professional classification (employees¹¹ and laborers) exceeded 92% (88% in 2019). Permanent employment in the under-30 age group increased to 77%, six percentage points higher than last year. With these figures, permanent employment in the Group can be considered stable in recent years.

Distribution by Contract Type¹²

(Of the number of employees at the end of the period)

	2020	2019
Permanent	92%	89%
Temporary	8%	11%
Total	13,057	13,179

On the other hand, if we consider the average workforce, and taking into account the type of contract and representative diversity criteria: gender, age, and professional group, the data is similar and is shown in the following tables.

Distribution of the Average by Type of Contract and Age

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Under 30	73%	27%	71%	29%
30 to 50 years of age	93%	7%	91%	9%
Over 50	97%	3%	96%	4%

⁸ In Europe, the main countries are Spain, Poland and the United Kingdom, which account for 93% of the region.

⁹ In the Americas, the most relevant countries are the United States, Mexico and Brazil, which account for 84% of the region.

¹⁰ No. of total voluntary departures/average Group workforce

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

¹² The distribution of part-time contracts is not shown as they do not represent a significant proportion of the Group's workforce

Distribution of the Average by Type of Contract and Gender

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Men	91%	9%	89%	11%
Women	89%	11%	87%	13%

Distribution of the Average by Contract Type and Professional Group

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Employees	91%	9%	90%	10%
Laborers	91%	9%	88%	12%

These year-end figures are the net result of the new arrivals and departures of employees during 2020. With regards to the latter, non-voluntary terminations account for 2.5% of the total workforce¹³, as in 2019. As for the distribution of this data, 86% were men, 63% were between 30 and 50 years of age and 63% were laborers. This data follows the distribution of the Group's workforce, considering diversity criteria.

The establishing and management of remuneration within the CAF Group is carried out in accordance with the remuneration management policy applicable to the Group. These corporate regulations aim to ensure adequate management, in terms of the internal consistency and external competitiveness of remuneration, and the alignment of this with the challenges and needs of the activities. In this respect, we have information prepared by specialized consultants, which allows us to establish salary levels based on the market and the position.

These general criteria are reflected in appropriate remuneration levels, and for this period the average remuneration of the employees¹⁴ increased to 37,015.01 (36,355.22 in 2019). By professional group, the difference compared to the average remuneration was 19% higher for this group of employees and 19% lower for the rest of the group.

Remuneration by Professional Group¹⁵

	2020	2019
Employees	(19%)	(20%)
Laborers	19%	18%

The average remuneration in the CAF Group by age shows a correlation between age and the remuneration received. The group over 50 years of age received an average remuneration 17% higher than the average, the group between 30 and 50 years of age exceeded the average by 2.6% and the group under 30 years of age had a remuneration 34% lower than the average.

On the other hand, the average remuneration of the women working for the CAF Group increased to €37,156.76 (€36,247.12 in 2019) and was 0.4% higher than that of the men. If we analyze the data by groups, the length of service factor can be 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 pay gap is reduced within the different groups.

¹³ The number of non-voluntary terminations was 326.

¹⁴ This is based on the fixed annual full-time items available for the Group's entire workforce, excluding the directors and senior executives specifically mentioned in the Annual Report on Directors' Remuneration and the Annual Corporate Governance Report of Listed Companies published in accordance with the regulations in force. The average exchange rate for the period has been taken into account for conversion.

¹⁵ (Average Remuneration - Average Remuneration by Group)/Average Remuneration

General Pay Gap by Gender and by Professional Group and Length of Service - CAF Group

	2020		2019	
	Gender Pay Gap ¹⁶	Difference in Length of Service ¹⁷	Gender Pay Gap	Difference in Length of Service
Employees	16%	47%	15%	33%
Operators	27%	33%	20%	25%

General Pay Gap by Gender and by Professional Group and Length of Service - Europe

	2020		2019	
	Gender Pay Gap	Difference in Length of Service	Gender Pay Gap	Difference in Length of Service
Empleados	14%	50%	14%	34%
Operarios	14%	40%	12%	29%

If we analyze the data by age bracket, in the under 30 age bracket, women's pay is 8% higher and between 30 and 50 years of age it is 3% higher. On the other hand, in the over-50 age group, women's salaries are 4% lower.

Pay Gap by Gender and Age

	2020	2019
Under 30	(8%)	(5%)
30 to 50 years of age	(3%)	(2%)
Over 50	4%	(1%)
Total	(0.4%)	0.3%

In any case, the data referring to the pay gap is conditional upon the asymmetry of the distribution by gender in the different socio-demographic groups.

In any case, the collective bargaining agreements in force, together with the remuneration regulations applicable for CAF Group companies, guarantee equitable treatment by establishing salary conditions regardless of gender.

The management of remuneration for directors of the parent company meets the applicable transparency criteria for listed companies. In this regard, the details and individual breakdown of the conditions for the directors group is reflected in the remuneration report prepared for this purpose and published in accordance with the regulations in force. At the same time, 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 figure cannot be broken down by gender as there is only one woman in the aforementioned group.

The generation of quality employment also implies the necessary organization of work in accordance with each country's own legislation, workers' statutes and collective bargaining agreements. Thus, each company within the Group determines the aspects relating, among other things, to working hours, rest periods, calendar, holidays, leave and leaves of absence, as well as company benefit agreements, in accordance with market practices, including contributions to pension funds or medical insurance, among others. This is reflected in the labor relations policy established and applicable to the Group. In addition, each company establishes measures aimed at facilitating work-life balance, some of which have to do with the regulation of the working day, which is monitored in a general manner by recording arrival and departure times.

¹⁶ (Average Remuneration of Men by Group - Average Remuneration of Women by Group)/Average Remuneration of Men by Group.

¹⁷ (Average Length of Service of Men by Group - Average Length of Service of Women by Group)/Average Length of Service of Men by Group.

Social dialog

With regard to the organization of social dialog, it is worth highlighting the permanent communication between employees, their representatives and the company to make their interests and expectations known. This should make it possible to reach agreements that are beneficial to all. The procedures for informing and consulting personnel and negotiating vary within the Group. This provides greater flexibility to provide the most appropriate channels, in accordance with the uses and customs of each geographical area and set of legal regulations.

All employees of the parent company and the national subsidiaries of all the Group's activities are covered by sectoral or company collective bargaining agreements, which are generally applicable as a whole to all employees. At the international level, it is worth highlighting the collective bargaining that is taking place in relation to various topics (remuneration, the working day, and working hours) in different countries (Algeria, Brazil, Chile, Mexico, New Zealand, Poland, the United Kingdom, and Italy). 87% of the CAF Group's workforce is subject to collective bargaining agreements or regulations, in line with the previous period.

In addition, with the aim of promoting internal communication in a systematic, flexible, and widespread manner that is suitable for current habits, various initiatives have been carried out throughout 2020.

General internal communication guidelines have been established for all the companies and activities that make up the CAF Group in order to ensure consistency in internal communication, thus guaranteeing that everyone has up-to-date, relevant information and that there is fluid, constant interaction, both in-person and indirectly, at all levels of the organization. These guidelines set out the main lines of internal communication to be followed by all activities in terms of common channels and minimum content.

The deployment of internal communication plans at different levels, combined with the development of e-learning training and the implementation of collaborative tools, has been a challenge and has been key in this period to cater for the needs arising from the protocols in the context of the health crisis. A qualitative leap has been made in the implementation of new work dynamics for the development of the activity, making it possible to combine remote work and office work, depending on the nature of the activities carried out.

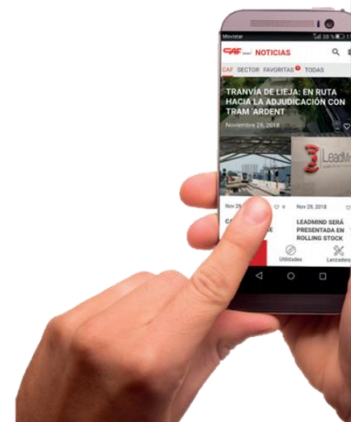
Likewise, with the aim of facilitating channels and methods of fluid interaction and ensuring that each person in the organization has constantly updated information, 2020 saw an intensification in the use of the internal corporate communication application, which is available to all CAF employees and allows them to access relevant information at any time without having to be present. It is a dynamic tool that will evolve, incorporating new features, in order to facilitate communication and enrich the work environment.

In addition, at the beginning of this period, development continued on various initiatives to promote direct communication, which have since had to be adapted to the protocols established as a result of the health crisis. The opinion of the participants is being collected in relation to all the communication activities through the launching of surveys that seek to align the contents and achieve effective communication.

● The training and evaluation process as a central pillar for professional development.

The training process is a basic part of the training activities and this is evident in both the parent company and all the national subsidiaries that are linked to its main activities.

In order to ensure an effective and efficient training plan, three major blocks of activity have been established within the process and are monitored periodically through a series of indicators. The initial phase consists of carrying out a diagnosis of training needs, integrating both the vertical perspective of each position and the horizontal perspective in transversal training topics (for example: health and safety at work, quality, product safety, regulatory compliance, etc.). Once this training plan has been approved and communicated, its implementation and evaluation begins on



three levels (satisfaction, effectiveness and annual assessment) to reinforce both its alignment with the priorities of the activity and its efficiency.

This process has been systematically reviewed over the years with a dynamic of constant improvement, integrated into individual process management in some cases and always meeting the needs of the activity.

In 2020, the new Corporate E-learning platform, "CAF E-learning", was implemented. In addition to improving the user experience (due to its attractive interface and design adapted to the corporate image), it improves and facilitates training management, thanks to the flexibility of incorporating a multitude of learning formats, the possibility of generating training itineraries according to profiles, and access to employees' training history. This new platform is directly accessible from the corporate internal communication application and it works on any device. This has enabled rapid communication and access to training on the health and safety measures incorporated in the protocols developed as a result of the Covid-19 pandemic.

The indicators for activity and the effectiveness of the training process at the end of 2020 reflect the impact of Covid-19, since despite having transferred all compatible training courses to online mode, among those that require attendance, only those considered essential have been carried out and the rest have been postponed. In terms of the whole Group, at least 150,000 hours of training have been received (over 192,000 in 2019)¹⁸, with each person having received 13 hours of training on average (17 hours in 2019). In contrast to other years, due to the greater flexibility to adapt to the online mode of employee training, the average number of training hours for employees has been higher on average, with 14 hours of training received (15 hours in 2019), two hours more on average than for operators (19 hours in 2019).

In the same way, the satisfaction and efficacy scores for all training actions exceed the targets set for the 2020 period, being 8.57 and 8.15 respectively.

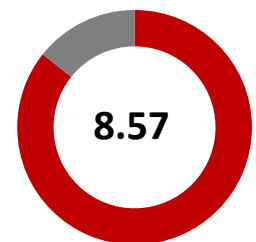
Performance evaluation is included in this process, as one of the elements that revitalize staff development within the organization. 86% of the people in both the parent company and all the national and international companies¹⁹ have received an evaluation, following the established system. Distribution of evaluated workers according to gender and professional group: 81% of women have received an evaluation and 86% of men. Additionally, 93% of operators were evaluated in 2020 as well as 77% of employees.

The corporate people management process establishes a model for evaluating both general and technical competencies associated with the position held by each person. In addition, university graduates and middle management are included in an evaluation system through which individual objectives are set for them. Throughout 2020, evaluation processes were launched in all the group's main activities, continuing with their deployment in the following period. The evaluation processes launched have been adapted to the needs of the different activities and groups.

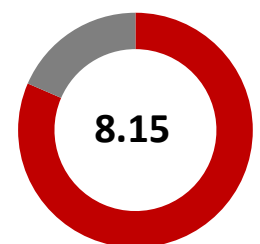
In this line, it is worth highlighting the progress made in the Boosting Leadership program that was being developed and which ended in the first quarter of 2020 in the Group's parent company, which tackles the challenge of proactive, global talent management, with the aim of keeping people committed and aligned with the shared culture throughout its life cycle. The training itinerary was aimed at the group of people whose roles involve the management of teams in CAF, both in the offices and in the factory, and seeks to raise awareness of the role they assume and its impact on the organization, as well as to provide them with tools that allow them to carry this out 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.

In addition, during this period, various training and alignment actions of the people management systems were carried out as required by the Group's activities in the transformation programs that are being addressed and in the integration processes underway.

Training Satisfaction



Training Effectiveness



¹⁸ Data representing more than 90% of the CAF Group's workforce in 2019 and 2020.

¹⁹ Data relating to sites where the performance evaluation system is in place.

● Internal mobility as a tool for development

In addition to being an activity with the flexibility to respond to the needs of the projects underway, this tool is considered to be essential for the development of staff throughout their working life. Staff mobility is made possible through training programs included in the two-year training plan, as well as in unplanned training activities where the objective is to gain qualifications in order to take on new responsibilities. Internal mobility processes are common in all the main activities of the CAF Group. In this area, and with a medium-term vision, different exercises have been carried out to identify talent with potential. This will also continue in the following period with the aim of having prepared people available for the challenges of the different activities.

● Equal opportunities and diversity

One of the pillars of CAF's commitment to people, as indicated in CAF's Code of Conduct, Sustainability Policy, and Diversity and Director Selection Policy, is respect for diversity and the right to equal treatment and opportunities for women and men. In this regard, the Group actively promotes non-discrimination of all types, direct or indirect, particularly due to gender, and the defense and effective application of the principle of equality between men and women in the workplace, progressing in the establishing of measures that favor a balance between work and family life.

In this context, CAF, S.A.'s Collective Bargaining Agreement (for the Beasain, Irún, and Madrid sites) shows its willingness to promote access to employment for women and effective application of the principle of equal treatment and non-discrimination in working conditions between men and women.

In the recruitment and selection processes, equal entry opportunities are guaranteed through the maintaining of non-discriminatory criteria, through recruitment processes that are open to all people, the use of objective selection requirements and without taking into account situations that are not related to the job position. In 2020, the percentage of women who joined the CAF Group accounted for 19% of the total number of new recruits, contributing to the increased presence of women on the Group's workforce. In 2019, this percentage was 15.3%.

Equal access to training for men and women is also guaranteed, in order to promote professional career development and their adaptability to the requirements of the job positions, improving their internal employability. One example of this is that, in 2020, the training hours received by CAF employees were the same for both genders.

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

In order to carry out comprehensive monitoring of these commitments and their respective initiatives, all the Group companies comply with the legal regulations relating to the creation of equality plans²⁰ and various management mechanisms have been set up, such as the protocol for action in the event of sexual harassment or gender-based harassment and equality committees, with company and employee representatives, in order to prevent and, if necessary, resolve cases of sexual harassment and gender-based discrimination in the workplace. It is worth highlighting the existence of an extensive equality committee within the parent company, which is responsible for the implementation, execution and monitoring of equality plans and analyzes possible measures and actions that can contribute to the reconciliation of work and family life. This committee carries out an annual diagnosis and annual monitoring of equality indicators to analyze aspects such as, for example, the periodic monitoring of selection processes, the monitoring of personnel who request and/or take advantage of the conciliation measures applied to the workforce group broken down by sex, and the monitoring of the promotion system for laborers and employees.

Likewise, over the last few years, the company has been taking steps to disseminate the equality plan and the sexual and gender-based harassment protocol internally through the usual means and

²⁰ 100% of the companies carried this out in the period following fulfillment of the requirements set out in the regulation and have begun the process of adapting these to Royal Decrees 901/2020 and 902/2020.

to promote the use of egalitarian and inclusive language in both internal and external communications.

The principles of non-discrimination and equal opportunities applied in the CAF Group are set out in the Code of Conduct. Within this framework, in 2020 there was one gender-based case of harassment, which was investigated internally, dealt with, and resolved by applying the relevant labor measures. No cases were detected in this area during the previous period.

In order to promote diversity, CAF respects universal accessibility by considering criteria that allow both its working environment and the products it manufactures to be respectful of human diversity, and also safe, healthy, functional, comprehensible and aesthetically pleasing.

Accessibility to CAF's physical environments is promoted by ensuring that any new investment in industrial and service buildings, as well as any adaptation or refurbishment of general service equipment and facilities, is carried out in accordance with local regulations and accessibility standards.

As far as the accessibility of the products and services is concerned, CAF has made accessibility a priority right from the design phase in order to guarantee universal use for the entire population. The designs must be usable, without special adaptations or modifications, by people with different abilities.

All products manufactured by CAF are designed to meet, and in some cases exceed, the requirements in terms of accessibility set out in the regulations in each country where tenders take place, as well as the requirements set out in European reference standards.

In the case of railway rolling stock manufactured by CAF, this complies with the requirements set out in the 2014 European Union Technical Specification for Interoperability and Accessibility for Persons with Reduced Mobility. For city buses, they are built in accordance with the specifications indicated in Annex IV of Directive 2007/46 establishing a framework for the standardization of motor vehicles, recently amended by EU Regulation 2017/2400. These provisions include the requirements of Regulation 107 of the United Nations Economic Commission for Europe (UNECE) on uniform provisions concerning the approval of vehicles of category M2 or M with regard to their general construction characteristics and in particular their accessibility for passengers with reduced mobility.

CAF's extensive experience in the development of accessible projects allows it to offer the highest quality in this aspect, guaranteeing ease of use, as any passenger can use its transport without the need for previous experience; usability, the vehicles have well-indicated accesses and mechanisms to ensure that all types of passengers can use them; and simplicity, physical abilities do not condition the user's experience.

In terms of information accessibility, CAF is firmly committed to the accessibility of its website and wants its content to reach the greatest number of users, regardless of their disability. To this end, 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, allows the website to be displayed correctly on different devices and platforms, and for its content to be printed correctly.

Finally, it should be noted that the CAF Group complies with the legislation on the rights of people with disabilities and their social inclusion in each country. Said compliance consists of the direct hiring of workers with certified disabilities²¹, together with the adoption of alternative measures set out in current legislation.

● Respect for Human Rights

In addition to its commitment to the strictest respect for current legislation in all the territories in which it operates, CAF's Code of Conduct and Sustainability Policy include its commitment to adopt measures that guarantee scrupulous respect for fundamental rights, the principles of equal

²¹ In order to comply with legal obligations in this area, in addition to the alternative measures, CAF has 98 employees with certified disabilities (100 in 2019).

treatment, and non-discrimination, as well as any other principles included in the Universal Declaration of Human Rights, OECD Guidelines for Multinational Enterprises, and United Nations Global Compact, to which CAF, S.A. is a signatory.

In this regard, in 2020, CAF, S.A. completed the necessary procedures to join the United Nations Global Compact, confirming its commitment to the Ten Principles contained therein, which derive from United Nations declarations on human rights, labor, the environment, and anti-corruption, and which enjoy universal consensus.

In terms of respect for Human Rights, the associated risks may be manifested in various areas such as people management, the environment, the operational environment, or in terms of the ethics of doing business with others.

Without detriment to the management of the human rights aspects in each of the areas and depending on the circumstances, CAF has adopted measures for systematic application in two areas: (i) due diligence in the field of business ethics through the implementation of due diligence mechanisms that enable the management of respect for Human Rights in the framework of each of the projects and contracts in which a CAF Group company participates and also with third parties it works with; and (ii) people management, which is deployed through the corporate people management process, which incorporates policies for labor and occupational risk prevention, ensuring compliance with the commitments in this area in all of the Group's activities.

Based on these commitments, the risks that could potentially endanger compliance can be 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; and (viii) others that are analyzed on a case by case basis based on the particular features of the project in question.

The impacts of such risks could result in penalties related to occupational safety and human rights violations, as well as the deterioration of CAF's brand image or reputation as a result of media coverage of such violations. This first impact is reflected in the short-term; however, the other impacts have an effect in the medium-term due to their more progressive materialization.

The management and control of Human Rights risks is included within the framework of the ongoing development of the Risk Management and Control Systems.

To this end, an analysis is made of whether the country, region, or city in which the project is located, or the characteristics of the project, have a level of risk that a priori requires the adoption of special measures for potential associated impacts.

The requirement to comply with Human Rights is a priority issue in the activity of the CAF Group and at the beginning of the 2020 financial year, the Due Diligence Model Procedure for Human Rights was updated, the scope of which is corporate. This procedure requires prior, systematic assessment of all potential projects (understood as any business activity) from the perspective of Human Rights, in order to assess a priori that the intervention of the CAF Group will not lead to the violation of such Rights through its own activities, either through direct mediation of its operations, or through the sale of its products or services.

In parallel, all third parties that enter into contracts with the companies of the CAF Group, among others, are required to scrupulously respect the laws, 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 contained in the Universal Declaration of Human Rights and the United Nations Global Compact in the areas of human rights.

Each of the recommendations and indications of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights have been scrupulously taken into account in the design of the procedure.

As a result of the application of the established internal procedures, during the 2020 financial year, no human rights violations were detected as a result of the CAF Group's participation in any project.

At the same time, the CAF Group has carried out dissemination and training activities on the commitments adopted in this area among the Group's staff within the framework of Compliance training.

In relation to the Human Rights aspect that concerns people management, through the Labor Relations Policy and the corresponding Guidelines, the aforementioned corporate people process establishes minimum enforceable requirements to ensure internal consistency in aspects such as labor regulations, collective bargaining and legal representation of workers, fundamental rights, equality and non-discrimination, and employment and Social Security.

In this regard, the CAF Group adopts the measures it deems necessary to ensure compliance with the provisions of the fundamental conventions of the International Labor Organization (ILO) relating to 1) workers being able to exercise their rights to freedom of association and collective bargaining in all countries in which it operates, and 2) avoiding child labor, forced or compulsory labor, or the assignment of hazardous work to young people, in its own operations as well as upstream, among its suppliers²². In this regard, in application of the Modern Slavery Act's declaration against slavery and human trafficking approved in 2015 in the United Kingdom, CAF publishes an annual report on the commitments and measures implemented to prevent and, where appropriate, eliminate these practices in CAF and in its supply chain, and 3) Guaranteeing and ensuring equality and non-discrimination in working conditions, prohibiting the adoption of decisions that may lead to direct or indirect discrimination against employees on the basis of gender, origin, including racial or ethnic origin, marital status, social status, religion or beliefs, political ideas, sexual orientation, membership or not of trade unions, family ties with persons belonging to or related to the company, and language.

In relation to this last point, two specific protocols have been established: the Protocol for action in the event of sexual harassment or gender-based harassment and the Protocol for the Prevention of Psychological Harassment, incorporated into the Occupational Risk Prevention Management System. Both protocols include the management's statement regarding these areas, aiming to establish the necessary measures to prevent and avoid the aforementioned situations, and establishing procedures so that, should they occur, the company's personnel know what action to take.

During the 2020 financial year, no case of human rights violations was recorded among the workers employed by the Group directly or through business relationships. The chapter on the working environment covers issues relating to non-discrimination and equal opportunities.

²² For more detail, see "3.4 Responsible Supply Chain".

4.2 Prevention of Occupational Risk

[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 Management, expressly declares its firm commitment to maintain and improve the prevention system in such a way as to guarantee compliance with current legislation, taking responsibility for the protection of workers against occupational risks.

Said policy integrates prevention management in all the company's activities and decisions, both in the technical processes, the organization of work and the conditions under which this is carried out, boosting integration at all levels: Directors, Management, Employees, and Trade Union Representatives. To this end, it is provided with the necessary human and material resources to achieve these goals.

The integrated prevention and environmental policy applicable to the main activities²³ is maintained, in addition to the occupational risk prevention policies in the rest of the main subsidiaries²⁴. In addition, within the framework of the Corporate Forum on Occupational Health and Safety, work is underway to define a corporate occupational health and safety policy that will be applicable to all the Group's subsidiaries.

With the aim of achieving zero accidents and improving occupational health and safety conditions, in addition to the aforementioned policy, CAF has implemented and promotes the extension of an Occupational Risk Prevention Management System.

In the area of occupational risk prevention, the Group has certifications and assessment and monitoring mechanisms that go beyond the legal requirements in each of the countries in which the Group operates. Along these lines, by 2020, at least 45% of the Group's total workforce was certified under the requirements of the new ISO 45001:2018 standard and a further 2% under OHSAS 18001:2007. With a view to 2021 and 2022, the aim is to extend this certification to the remaining train and bus manufacturing plants.

Certification	Area	Scope	Perspectives
ISO 45001:2018	Occupational Health & Safety Management	~ 45% of staff	Extend scope

In all of them, internal audits are carried out annually in order to carry out internal monitoring of the management system that has been implemented, or that is in the process of implementation, in accordance with the requirements of the ISO 45001:2018 standard, as well as with the legal requirements applicable according to the legislation in force in each country. As a result of the internal audits, corrective action to rectify any non-conformities that may have been identified and improvement actions for the management system are established.

CAF's occupational risk prevention management system is structured for the development, implementation, and monitoring of a series of activities which, as a whole, constitute a system for the prevention of work accidents, occupational illnesses, and material damage. The management system establishes the management principles and the system procedures and processes that will develop the preventive activities.

One of the main activities of the management system is risk assessment, a process aimed at estimating the magnitude of any risks that cannot be avoided, and obtaining the necessary information to adopt preventive measures. Once the risks have been identified by workplace, job role, or activity, whether they be safety, health, ergonomic or psycho-sociological risks, an assessment of these is carried out. When the result of the assessment reveals risk situations, a proposal is made for preventive and corrective measures, and the measures are adopted based on eliminating or reducing the risk, by means of measures for action at the source, organizational measures, collective protection, individual protection, or training and information for workers, or a combination of some or all of these. For this purpose, the hierarchy to be established for the

²³ Rolling Stock, Rail Services and MiiRA Activities

²⁴ CAF T&E, CAF Signaling, CAF P&A, Solaris Bus & Coach.

proposing of control measures is considered to be as follows, in this order: elimination, substitution, engineering controls, signage/warnings and/or administrative controls, and finally PPE.

In terms of relevant activities of the management system, we can also mention the investigation of accidents and incidents that have occurred, which aims to adopt the necessary measures to prevent their recurrence by obtaining data to define the facts and establish the basic causes thereof. For the adoption of the measures arising from this process, the same hierarchy established above is taken into account.

As regards occupational health services, CAF has its own Occupational Health Service for its Beasain and Irún plants which covers the specialties of Occupational Safety, Industrial Hygiene, and Health Surveillance, and its own Occupational Health Service for its Zaragoza plant, which covers the specialties of Occupational Safety, Industrial Hygiene, Ergonomics, and Applied Psychosociology, with the rest of the specialties being arranged with external prevention services. These services are staffed with competent, qualified personnel who carry out the corresponding functions, as well as health services authorized by the competent authority in each case, in order to guarantee a quality service while at the same time allowing workers to make use of these services.

CAF P&A has its own Prevention Service covering the specialties of Safety, Ergonomics, and Applied Psychosociology; CAF Signaling set up its own Prevention Service in 2020, covering the specialties of Hygiene, Ergonomics and Applied Psychosociology, and Health Surveillance; CAF T&E created its own prevention Service in 2020 which covers the specialties of Safety, Hygiene, and Ergonomics and Applied Psychosociology; while 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 that comply with the legal requirements applicable in each of the corresponding countries.

In the area of health and safety there is also corporate dialog managed through formal worker-company committees. Each of the main manufacturing plants of CAF's Rolling Stock and Bus activity, as well as the CAF T&E, CAF Signaling, and CAF Rail Services subsidiaries, has an occupational health and safety committee, with the participation of management, prevention delegates, the prevention service and, where applicable, those responsible for the activity. These committees collect information from different operational levels and approve Occupational Risk Prevention Plans, working together with the employees to establish these. In addition, they make the necessary decisions and monitor suggested actions, with the aim of ensuring that the targets set are achieved. Other companies have established forums for employee consultation and participation that serve as a channel of communication with the interested parties through which proposals and relevant topics of interest are gathered. These mechanisms mean that 90% of the Group's total employees are represented in the field of occupational health and safety.

● Occupational Risk Prevention Plan

The Occupational Risk Prevention Plans, which are implemented annually, establish the schedule for preventive activity and the annual objectives in terms of occupational risk prevention.

With regard to accident rate targets, three main indicators are measured: frequency, severity, and absolute frequency. The following table shows these indicators for the most significant national and international operations of the CAF Group, in addition to the number of cases in relation to occupational illnesses identified.

Occupational Risk Prevention in figures	CAF Group					
	2020			2019		
	Men	Women	Total	Men	Women	Total
Frequency ²⁵	20.09	4.28	17.98	23.41	4.1	20.89
Severity ²⁶	0.50	0.06	0.44	0.51	0.17	0.47
Absolute frequency ²⁷	72.72	16.71	65.25	86.74	28.69	79.16
Occupational Illness Rate ²⁸	10.74	0	9.18	11.74	0	10.19

The information relating to work-related injuries among the same group during the last financial year is detailed below.

Occupational Risk Prevention in figures		CAF Group					
		2020			2019		
		Men	Women	Total	Men	Women	Total
Deaths as a result of a work-related injury ²⁹	No.	0	0	0	0	0	0
	Rate	0	0	0	0	0	0
Serious work-related injuries (excluding fatalities) ³⁰	No.	3	0	3	0	0	0
	Rate	0.16	0	0.16	0	0	0
Recordable work-related injuries ³¹	No.	1,216	43	1,259	1,408	70	1,478
	Rate	72.72	16.71	65.25	86.74	28.69	79.16

A common indicator in organizations in terms of people is the absenteeism rate. This indicator measures the hours lost in relation to the scheduled hours. This year this rate stood at 5.2% at the corporate level. In 2019, this indicator stood at 4.6%³².

Based on collaboration with the social agents and social dialog on health and safety matters, and with the aim of reducing the accident rate and improving working conditions at the plants, different lines of action are configured and integrated into the annual Occupational Risk Prevention Plan.

In addition, the guidelines to be followed in relation to health monitoring and promotion are established in the Occupational Risk Prevention Plans of the main company. The general objective of health surveillance is to qualitatively improve the information in medical records in relation to risk exposure, focusing on the following lines of action: definition of the specific information to be improved and the adaptation of the computer tool to the needs of medical records.

Within the health surveillance activities, there are procedures for action in situations of pregnancy and breastfeeding, which are generally aimed at adopting a set of measures for mother and child employment protection during pregnancy and breastfeeding. Specifically, the risk to pregnancy or breastfeeding to which the working woman is exposed is determined, a medical certificate is issued certifying whether or not the conditions of the job have a negative influence on the health of the worker, fetus or infant, and recommendations are established for adaptation, limitation, job change, or application for the subsidy for risk during pregnancy.

Likewise, there are action procedures for job adaptation for sensitive workers or those with psychophysical limitations, the purpose of which is to establish the mode of action for workers who are especially sensitive to risk factors present at work and for those who have physical or

²⁵ $IF = \frac{\text{Número de accidentes con baja} * 1.000.000}{\text{Horas trabajadas}}$

²⁶ $IG = \frac{\text{Número de días de trabajo perdidos} * 1.000}{\text{Horas trabajadas}}$

²⁷ $F2 = \frac{\text{Número de accidentes totales} * 1.000.000}{\text{Horas trabajadas}}$

²⁸ $EP = \frac{\text{Número de enfermedades profesionales} * 10.000}{\text{Número de trabajadores}}$

²⁹ N° de Muertes como resultado de una lesión relacionada con el trabajo * 1.000.000

³⁰ N° de Lesiones graves relacionadas con el trabajo (excluidas las muertes) * 1.000.000

³¹ N° de Lesiones relacionadas con el trabajo registrables * 1.000.000

³² This absenteeism rate corresponds to 83% of the Group's workforce and takes into account the hours lost due to accidents at work or common illness. (The 2019 figure corresponded to 82% of the Group's workforce).

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

The management system implemented in CAF, in addition to ensuring the health and safety of its workers, addresses issues aimed at preventing or mitigating the risks for workers from other companies who carry out their activities at CAF's facilities, as well as for people who visit CAF's facilities. To this end, within the management system, the measures and means of coordination with these companies are established with regard to the application of the regulations on the prevention of occupational hazards and the coordination of business activities with these companies. Likewise, the steps that must be taken to manage visits to CAF facilities are also included, in terms of information on the risks and prevention measures to be adopted.

With regard to the risks arising from the supply of equipment or materials that may be integrated into CAF's manufacturing process, due to business relationships with its suppliers, CAF has control mechanisms and procedures in place to identify and assess these risks and to establish preventive and protective measures aimed at reducing or eliminating these risks.

Worker training on occupational health and safety is based on the risks identified in the risk assessment of the job roles and is integrated into CAF's two-year training plan.

There is a training/information process on risks, prevention measures, protection, and emergency measures to be adopted in the workplace in which new employees participate through an induction plan. In addition, depending on the tasks to be carried out by the worker and the risks to which they are exposed in their job, specific training in occupational risk prevention is given.

With regard to health promotion activities, the aim is to collaborate with the National Health System in promoting healthy lifestyles that improve workers' physical and mental well-being. The main company includes these activities in the annual Occupational Risk Prevention Plan and reports on them through the meetings of the Occupational Health and Safety Committees. The activities promoted are classified around the promotion of a healthy diet and physical exercise, the prevention of infectious diseases, medical check-ups, and training and information in the areas of first aid, hygiene, and ergonomics. In this regard, it should be added 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 employees acquire healthy lifestyle habits both at work and in their personal lives.

In addition, in 2020, the prevention culture project continued at CAF's main plants in Beasain, Irún, and Zaragoza. This challenge consists of integrating occupational risk prevention into the company's culture with the goal of reducing and preventing accidents at work and generating a safe and healthy working environment. The aim is to promote the evolution of safe behavior and the involvement of the whole organization in preventive management.

In the first phase of this project, a diagnosis was carried out to determine the situation of the current preventive culture in CAF, in order to subsequently propose a plan for the improvement and development of the preventive culture. After the diagnosis phase, in 2020, an action plan was established, focusing on three strategic pillars that would pursue the objective of improving the company's preventive culture. The three strategic pillars can be summed up as the definition of the desired shared model for Occupational Health and Safety, the evolving of the current systems of action, and the developing of people's competences.

Taking these strategic pillars into account, the implementation of the action plan established has begun, giving priority to the first pillar of defining the desired shared model for Occupational Health and Safety at CAF. To this end, working sessions have been held to define the vision and value of Occupational Health and Safety and establish the place it should occupy in CAF. Taking into account the model defined, throughout the year 2021, in addition to communication of the new value, the rest of the activities of the action plan will continue.

5

CONTRIBUTING TO PROTECTING THE ENVIRONMENT

"To define strategies to combat Climate Change focused on reducing CO₂ emissions and to promote the use of renewable energies, investment in R+D+i for the development of sustainable products and technologies, and the implementation of environmental management systems."

*CAF's Sustainability Policy
December 17, 2020*

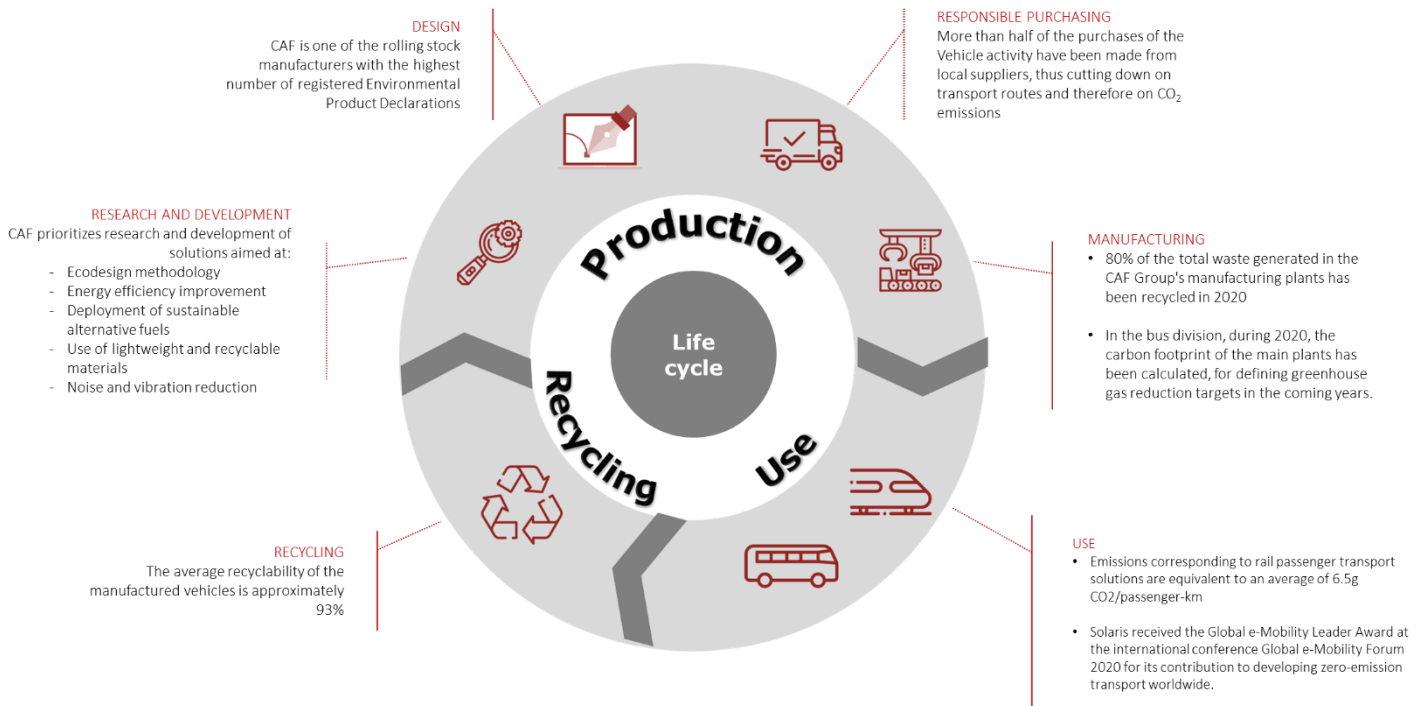
5.1

Sustainable mobility and eco-efficient products

5.2

Environmental footprint of operations

CAF is aware that its industrial activity has an impact on the environment, and it integrates the life cycle approach into its management as a pillar of sustainability. As shown in the following image, the phases that make up this cycle are research and development, design, responsible purchasing, manufacturing, use, and finally, the recycling of the product. In this way, CAF supports the shift towards a resource-efficient economy³³.



Aware that it exists in an increasingly demanding environment and in accordance with the provisions of the United Nations Global Compact for Sustainable Development by 2030, CAF establishes its commitment to carry out actions in relation to the mitigation of the causes of global warming and adaptation to Climate Change, promoting measures that contribute to environmental sustainability.

To this end, the main aim of the Group's Environmental Policy, approved by the Corporate Human Resources Department on November 26, 2020, is to establish the general principles and criteria to be applied in CAF at corporate level in environmental matters and to show the Stakeholders the environmental commitments determined in the Sustainability Policy, approved by the Board of Directors of CAF, S.A. The environment is a major part of the concept of sustainability, particularly developing comprehensive, more efficient and respectful sustainable mobility solutions.

Along this line, the CAF Group is committed to fighting climate change and caring for the environment, mainly in two areas:

1. **Developing sustainable mobility solutions.** To this end, the Group channels and coordinates its Product and Technology Innovation initiatives within the framework of the corporate Innovation Strategy, which aims to align technological and product/service development activities with the company's main strategic challenges, in order to develop and offer efficient, accessible and environmentally-friendly solutions to customers while keeping us competitive.

Section "5.1 Sustainable mobility and eco-efficient products."

2. **Incorporating the principle of environmental precaution** by preventing the environmental impact from all industrial activities. As mentioned in the CAF Environmental Policy, the actions carried out will set in motion all necessary, economically viable measures to

³³ Icons created by "Freepik", "Mavadee", "Eucalyp" and "Alfredo Hernandez" from Flaticon.

control and minimize significant environmental aspects such as atmospheric emissions, waste generation and energy consumption, among others.

Section "5.2 Environmental footprint of operations."

The following environmental risks associated with both the products and services offered and the industrial activities carried out by the company are identified in these two areas: (i) use of polluting materials; (ii) non-optimization of energy consumption and natural resources (electricity, fuels, water, etc.); (iii) impact on water sources; (iv) impact on biodiversity; (v) polluting emissions, including greenhouse gases; (vi) waste generation; (vii) environmental impact of products services on technology development; (viii) generation of environmental noise; (ix) non-compliance with the requirements set by customer specifications; (x) extreme weather situations related to climate change; (xi) other environmental impacts related to improper management of waste and products in production and/or machinery.

The impacts derived from these risks might involve fines and inspections related to non-compliance with environmental laws, irreversible damage caused to the ecosystem and its effect on society, as well as the additional cost for CAF Group operations due to the adverse effects of climate change. These impacts have a direct effect in the short term; however, the latter two impacts can also have an effect in the medium term given that environmental impacts are long lasting. Along this line, it should be noted that, as in 2019, there are no provisions or guarantees for environmental risks, due to the fact that disputes or contingencies have not been maintained concerning protection and improvement of the environment or environmental pollution events.

The risk control and management system with corporate scope integrates environmental risks and provides a sequence of activities exclusively intended to manage them. This process meets the requirement to complete the framework's risk and opportunity analysis.

5.1 Sustainable mobility and eco-efficient products

[201-2]

In the European Union, greenhouse gas emissions from transport increased by around 28% between 1990 and 2017. Today, transport accounts for almost 25% of global CO₂ emissions, of which rail accounts for only 0.5%.³⁴

At the same time, due to the current trend for urban population growth, there are increasing problems involving the collapse of mobility infrastructures and a noticeable worsening of air quality in cities. To avoid these problems, authorities often take measures to limit the circulation of private vehicles.

Faced with this reality, the European Commission, through the European Green Deal, has set the objective of reducing CO₂ emissions from transport by 90% by 2050. This will require an exceptional effort over the coming years to meet the target.

In this context, rail and bus transport, as environmentally-friendly, high-capacity means of transport, have enormous potential to make a significant contribution to this fight against climate change and congestion in cities, thereby reducing the environmental impact, improving the quality of life of citizens and actively contributing to the protection of the ecosystem.

Along this line, CAF prioritizes activities intended to reduce energy costs for transport in order to offer highly efficient mobility alternatives, which lay out the route to a sustainable, clean, ecological and emission-free future. As a result, the emissions corresponding to CAF's rail passenger transport solutions are equivalent to an average of 6.5g CO₂/passenger-km, which confirms that CAF's solutions are among the most efficient in the mobility transport sector. In the bus sector, Solaris received recognition for the second time at the international conference Global e-Mobility Forum in 2020. In 2019, during the e-Mobility Leader Gala, the CAF Group subsidiary received the Polish e-Mobility Leader Award for its role in transforming urban public transport in Poland. This year's Global e-Mobility Leader Award confirms that Solaris has been continuously developing its portfolio of emission-free buses and effectively contributing to changing the face of public transport, even globally.

● Main lines of Innovation

CAF's main lines of innovation revolve around the following points, which are applicable to all its vehicles, both trains and buses: 1) Eco-design methodology, 2) Improved energy efficiency, 3) Deployment of sustainable alternative fuels, 4) Use of lightweight and recyclable materials; and 5) Noise and vibration reduction.³⁵



³⁴ European Environment Agency. Communication from the commission to the European parliament, the European council, the council, the European economic and social committee and the committee of the regions - the European Green Deal - Brussels, 11.12.2019 COM(2019) 640 final

³⁵ Icons made by "Eucalypt", "Good Ware", "Pixel perfect", "Nhor Phai" and "Catalin Fertu" from Flaticon.

Ecodesign Methodologies



CAF has actively participated in development and implementation of methodologies to transform the sector in ecological matters. One example is the company's participation in the "Life Cycle Assessment Topical Group" from the Association of the European Railway Industry UNIFE, aimed at setting out the best ways to implement legislative and regulatory aspects related to ecology in the various processes that define the product service life.

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

Making the ecological footprint visible

CAF determines the environmental footprint of its products using life-cycle analyses (LCAs). Based on this information, CAF generates Environmental Product Declarations (EPD) for our customers.

In 2011, CAF developed the world's first verified Environmental Product Declaration (EPD) for a tramway, according to the ISO 14025 standard, the Urbos Tramway for the city of Zaragoza. This environmental impact study on the Zaragoza Tram was quantified using a Life Cycle Assessment (LCA) in accordance with Standards ISO 14.040 and ISO 14.044. From this point onwards, CAF has continued to certify products in different sectors (tram, metro and regional train), and is one of the rolling stock manufacturers with the greatest number of EPDs currently registered.

List of EPDs obtained by CAF's 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
- URBOS 100 tram for the city of Kaohsiung

Energy Efficiency Improvement



Improving the energy efficiency of products and services is a top priority for CAF. Initiatives in this area include:

Energy recovery during braking

Energy recovery in braking is an essential part of the operation of rail and trolleybus networks, as it helps reduce consumption and achieves high energy efficiency rates. CAF trains and Solaris trolleybuses are specifically designed so that regenerative braking takes priority over rheostatic and friction braking. In this way, the energy recovered in the braking process (not used by the vehicle itself) is returned to the catenary, which can be used by another train/trolleybus or returned to the general power grid.

High efficiency traction equipment

CAF trains and Solaris electric buses and trolleybuses incorporate systems to obtain maximum performance from the energy consumed during the journey, both in acceleration and braking. In this sense, the use of high-efficiency traction equipment minimizes energy losses and optimizes consumption.

CAF has developed a technological initiative to provide a variable engine flow solution. This solution maximizes powertrain performance by designing control strategies that minimize motor losses. Motor flux is actively managed according to the required operating conditions (torque, speed, drift, etc.), reducing consumption when the required flux is lower.

Another new piece of technology that maximizes traction system efficiency and reduces energy losses currently being added to trains and buses by CAF is silicon carbide (SiC) transistor technology. These transistors allow higher switching speeds that lead to lower power losses.

Reduction of energy consumption

In order to achieve the maximum reduction in energy consumption, it is necessary to adopt global measures that also include the auxiliary equipment of trains and buses, control of their operation and their conservation condition.

Energy consumption management at standstill

In order to reduce the energy consumption of stationary vehicles, another of CAF's priority objectives, different modes of operation are defined in advance: cleaning, maintenance, parking, etc. These modes establish the conditions under which the auxiliary equipment must work in order to reduce energy consumption. For example, implementation of an individual control per car, and not per train, makes it possible to only activate equipment in certain cars, according to the needs required in each case. This measure makes significant energy savings.

In addition, the introduction of the "Start/Stop" system in buses allows a significant reduction in fuel consumption and therefore also CO₂ emissions.

Energy consumption management in service

To reduce energy consumption in service, CAF introduces strategies that combine 1) the best use of internally generated energy flows and 2) operation of the different systems at their optimal operating point. For example, these strategies make it possible to make the most of the energy regenerated during braking by preventing it from dissipating in the form of heat.

Efficient air conditioning

Air conditioning equipment consumes a lot of energy as it works. In order to reduce this consumption, CAF uses the most efficient coolants and adopts various measures to improve the energy efficiency of the air conditioning system: heat pump, external air intake that can be regulated according to CO₂ levels, etc. In turn, to reduce energy losses due to heat transfer between the inside and outside of the train/bus, the design of the vehicles tries to maximize their thermal insulation.

Modular & customizable storage systems

CAF accumulation systems make it possible to: 1) operate the vehicles on stretches without power supply and 2) store the energy generated during braking. They are modular and customizable units that help to optimize the storage and charging solution according to the needs of each customer in order to minimize life cycle costs.

Intelligent BTMS in battery systems

Operating batteries at both too-high and too-low temperatures has a very negative impact on battery capacity, energy available for use and battery life. CAF incorporates a BTMS (Battery Thermal Management System) in its vehicles to ensure optimum control of the battery temperature to ensure that they operate in optimum conditions to maximize their performance and useful life.

Sizing equipment according to actual needs

In each project, equipment is sized according to the specific needs of the project. This avoids possible oversizing that could lead to greater weight and consumption than desired.

Efficient energy management based on travel times

The driving mode has a decisive influence on the vehicle's energy consumption. The vehicle control system can calculate, in real time, the level of performance that minimizes the vehicle's energy consumption based on the route characteristics and the target journey time. This information helps optimize driving from an energy point of view.

The solutions available to the CAF Group in the field of energy-optimized operation are: the DAS (Driver Advisory System) driving assistance solution described in the previous paragraph and CAF Signaling AURIGA solution, which enables automatic train operation in an energy optimized manner.

Reduction of travel times

Several CAF technological developments have brought in new advantages to reduce overall train energy consumption. Systems such as the Integral Tilting (SIBI), make it possible to travel at higher speeds round bends in the route, without any loss of comfort for passengers, thus reducing journey times by 30%. Moreover, the ability to travel at higher speeds round bends reduces the need to modify the speed of trains (braking and accelerating), which contributes to greater energy efficiency.



Deployment of sustainable alternative fuels

In recent years, the CAF Group has worked on developing vehicles that run on environmentally-friendly alternative fuels to diesel. In this respect, they emphasize the Compressed Natural Gas (CNG) and Hydrogen buses that Solaris has put in service in different European cities. CNG vehicles reduce the emission of particulate matter and greenhouse gases while hydrogen powered vehicles are considered zero emission as they only release water vapor into the atmosphere. In 2020, Solaris received the Global e-mobility leader award for its contribution to the development of zero-emission transport worldwide.

As far as trains are concerned, CAF is developing a hydrogen-powered prototype train with the aim of track testing it mid-2022. This project (FCH2RAIL) has been promoted by the FCH JU, a European Commission agency dedicated to promoting the development of hydrogen and fuel cells, and has significant financing from European funds (around €10 million) through the H2020 program.

These solutions are complemented by other solutions in the CAF Group's product portfolio aimed at reducing transport emissions, such as replacing diesel vehicles with electric vehicles with batteries and equipping diesel vehicles with batteries to reduce fuel consumption. This fuel reduction is generally around 20-30%.



Recyclable and Lightweight Materials

CAF carefully selects all the materials used in manufacturing its products, placing special emphasis on their recyclability, as their use avoids consumption of natural resources. Likewise, by preventing irreversible joints between parts made of different materials, it facilitates disassembly at the end of the useful service life and favors subsequent reuse.

Vehicle design is geared towards weight reduction; an effective way to optimize energy demand. This objective applies both to the structure of the vehicle and to all its equipment and components; all of this guaranteeing the highest quality and safety standards. During the vehicle manufacturing process, the mass of the components is controlled to ensure that the intended weight will not be exceeded.

In addition, the new vehicles seek a balance between maximum transport capacity and user comfort. Saving energy per passenger is also possible by increasing the vehicle capacity by means of providing large passenger areas and optimizing the number of seats per unit.



Noise and Vibration Reduction

The main sources of noise in a train are generated by equipment, rolling and wind friction. Apart from the effects on humans, noise can also influence nature, altering ecosystems and animal habitats.

In order to reduce both interior and exterior noise levels, CAF's technical team runs a detailed analysis on the causes (calculations and previous tests, studies on wheel-rail contact and interaction, etc.) and adopts the most effective measures to mitigate them: use of insulating and absorbing materials, optimized rolling profile, optimized aerodynamic shapes, etc. Specifically, two tools have been developed to minimize the rolling noise generated by trains and the vibrations they transmit to their surroundings: CRoNoS and DARDAR, the former is internationally relevant. Likewise, we also continue to improve the rest of the prediction tools and methodologies that are currently being applied, which include modeling public address systems to guarantee effective transmission of messages, especially to people with hearing difficulties.

● Sustainable solutions

The developments carried out in these lines of innovation are transversal, i.e. they are generally applicable to all or several products with the aim of making progress in the sustainability of CAF's product portfolio, where the following solutions stand out.

ZERO EMISSIONS

Urbos Tramway: CAF's Urbos trams are electrically propelled trams that can be fitted with an EVODRIVE or FREEDRIVE accumulation system (ultracapacitors and/or batteries) that allows them to operate without an external power supply (catenary) and recover part of the braking energy that is not absorbed by the catenary itself.



Urbos

Metro Inneo: CAF metros are electric and are the vehicles used by the main European cities (London, Amsterdam, Brussels, Rome, Madrid, Barcelona, etc.) due to their competitive capacity, weight, consumption and reliability values.



Inneo

Civity Regional trains: Civity mainline trains are among the most efficient on the market. As with the rest of the platforms, CAF has reduced the weight of these trains, optimized the efficiency of its equipment and simplified their architectures to minimize their consumption. The most sustainable (zero-emission) Civity trains include electric, battery electric, and hydrogen powertrains (under development).



Civity

Urbino Electric: Exceptionally quiet and emission-free vehicle distinguished by its modern design and low operating costs. Thanks to innovative technical solutions, these electric buses can operate for an unlimited time (up to 24 hours a day). In addition, their low noise and vibration emissions make battery-powered buses particularly suitable for use in city centers. The Solaris Urbino Electric was named "Bus of the Year 2017". The vehicle is available in low-floor and low-entry variants.



U. Electric

Urbino Hydrogen: The hydrogen technology used for power generation allows hydrogen buses to travel even longer distances without emissions than electric models. The hydrogen-powered buses will create a complementary emission-free bus family that will enable Solaris to meet contemporary challenges and diverse customer needs in terms of range, flexibility and vehicle operability.



U. Hydrogen

Solaris Urbino Hydrogen hydrogen buses use hydrogen fuel cells. The hydrogen is stored in gaseous form in several new generation tanks. This hydrogen is converted into electricity which, in turn, directly powers the bus driveline which consists of an axle with electric motors. The bus is also equipped with a battery that acts as an additional electrical energy storage facility. The only by-products generated during operation of the Solaris Urbino Hydrogen are heat and steam. As a result, the vehicles do not generate any harmful substances.



Trollino: These vehicles stand out for their quiet, emission-free operation. In addition to trolleybuses that work exclusively with external power supply, Solaris also offers hybrid trolleybuses equipped with accumulation equipment and fuel cells that work beyond the traction lines.



Trollino

LOW EMISSIONS

Urbino Hybrid: Solaris Urbino hybrids are equipped with a driveline consisting of one or more electric motors and a conventional transmission. The energy storage unit in the Urbino hybrids can be either batteries or supercapacitors. With this solution, the buses manage to reduce fuel consumption by an average of 20-30% compared to a diesel-powered vehicle. In addition, Solaris hybrid buses can also be adapted to cover a certain distance completely emission-free.



U. Hybrid

Urbino CNG: Urbino low-floor city buses are also available as vehicles with Compressed Natural Gas (CNG) propulsion. Using this solution, it was possible to substantially reduce the emission of harmful substances and provide more environmentally friendly transport.



U. CNG

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 is not limited to developing eco-efficient products; it can be seen in all its daily activities. For this reason, CAF's Management, aware that the development of its industrial activity has an effect on the environment, integrates the principle of environmental precaution into the Group's Environmental Policy by preventing the environmental impact of all its activities. Along the same lines, it adopts the necessary and economically viable measures to control and, where appropriate, minimize atmospheric emissions, waste generation and energy consumption, with the aim of preserving natural resources.

Alongside the Policy, this year the Corporate Environmental Forum, made up of the Group's environmental managers, has also drawn up a Development Manual for the Policy. Both documents are intended to unify policies, ways of working and management tools, as well as defining and monitoring environmental guidelines between the different activities of the group.

Alongside the aforementioned Corporate Environmental Policy, in 2020 the Corporate Environmental Forum, made up of the Group's environmental managers, also drew up a Development Manual for it. Both documents are intended to unify policies, ways of working and management tools, as well as defining and monitoring environmental guidelines between the different activities of the group.

Likewise, there is an Environmental Committee, including Management that meets periodically and acts as an environmental manager, coordinating and promoting all necessary actions to achieve and improve environmental performance.

Outside the company, CAF also maintains fluid communication channels open to the outside world on environmental matters, with the administration, the community and associations, among others.

One of the principles of the environmental policy is implementation of environmental management systems intended to minimize the environmental impact of operations. Through this system, compliance with legal requirements is periodically controlled, as well as the compliance and effectiveness of the measures adopted, ensuring that the objectives set by the organization are met.

Currently, more than 65% of the Group's workforce is covered by an environmental management system certified in accordance with the ISO 14001:2015 standard and the rest of the workforce located in manufacturing plants is immersed in a plan to implement and certify the Group's Environmental Management Model with the aim of becoming certified in the aforementioned standard in 2021.

Certification	Field	Scope	Perspectives
ISO 14001:2015	Environmental Management	~ 65% of staff	Extending scope

In all of them, internal audits are carried out annually, where the CAF Group's list of qualified auditors evaluates progress in implementation and certification of the environmental management system, the effectiveness of the environmental management system and especially the correct application of CAF's policies, as well as compliance with legal environmental requirements and the client's environmental requirements, among others.

In order to monitor and improve these management systems, environmental programs are set up 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, targeting continuous improvement.

Below is a summary of the measures implemented to control the Group's significant environmental aspects and the results obtained during 2020 in all CAF's manufacturing plants, both in the vehicle

and bus activities.³⁶ In these results, a decrease can be seen in all types of impacts caused by the decrease in activity resulting from the Covid-19 pandemic.

● Consumption of natural resources

When purchasing materials for the production processes, environmental criteria are incorporated, with special focus on selecting reusable and recyclable materials. Most of the purchases are pre-processed materials, i.e. components, where metal is the most common. However, raw materials, all of which are recyclable, are also purchased to manufacture components. Among these, metals stand out for their higher consumption, specifically steel and aluminum profiles and sheets and steel ingots.

Raw materials (t) ³⁷	2020	2019
Steel and aluminum profiles and sheets	14,756	18,717 ³⁸
Steel ingots	47,964	57,086

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

A product recyclability analysis is also carried out in accordance with the ISO 22628 standard. The average percentage of recyclability of vehicles manufactured by CAF S.A. is around 93%.³⁹

With regard to the purchase and use of chemical substances, the CAF Group is within the scope of the REACH Regulation, and in turn requires its suppliers to comply with it. Suppliers of the equipment making up the train are required to be in compliance with UNIFE's Railway Industry Substance List (RSIL), which compiles the materials and substances that are specifically prohibited for the rail industry by European and international legislation. Moreover, the transmission of information along the whole supply chain of substances, preparations and articles subject to the REACH Regulation has been carried out.

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 reuse of materials and packaging and the use of less polluting materials. In this regard, in 2020, the use of five toxic, flammable and/or corrosive chemical products in the matrix has been replaced by others that are less hazardous to the health of workers and the environment.

● Water and effluents

The water used by CAF in the manufacturing process is mainly for cooling equipment and 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 the 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 water, among which the following stand out: implementation and promotion of a rational use of water, through the implementation of closed circuits and the environmental awareness of personnel, the establishment and control of the consumption of all water resources, avoiding the collection of water in areas with water stress and, finally, carrying out leak and watertightness checks of the facilities for a lower consumption and impact.

³⁶ The 2019 data are not comparable, as this year the scope of the raw materials, energy, emissions, waste and water data has been extended from locations representing more than 97% of the workforce belonging to CAF Group manufacturing centers to locations representing 100% of the workforce belonging to CAF Group manufacturing centers.

³⁷ The consumption of raw materials has been reduced as a result of the decline in industrial activity.

³⁸ The 2019 data correspond to the main train and bus manufacturing sites.

³⁹ Average of the calculations made in Life Cycle Analysis carried out by the organization, both in projects and bids.

Water consumption (ML)	2020	2019
Mains water consumption	76.94	93.17
River water consumption	30.33 ⁴⁰	54.12

With regard to discharges, CAF has the corresponding authorizations for discharge into the sewer or watercourse, where applicable. In addition, the parameters of the water discharged are reviewed and controlled, defining objectives for improvement.

● Energy

The main objectives the Group has set within the Strategic Energy Efficiency Program are 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.

In 2020, as a result of the action plans for the reduction of energy consumption in CAF's manufacturing plants, several measures have been taken. They are described below.

In terms of lighting, presence detectors have been installed, an attempt has been made to make the most of natural light as far as possible, luminaires have been replaced with more eco-efficient ones and environmental awareness actions have been carried out for the rational use of energy in offices.

Likewise, with a view to improving the control and optimization of energy consumption, energy meters (gas and electricity) have been installed, the operation of air conditioning equipment has been programmed and key elements in energy efficiency in production processes (cranes, compressors, forklifts, etc.) have been replaced.

Likewise, year after year CAF has been incorporating into the operation of its facilities systems to make the most of the advantages of renewable energies and clean and ecological technology, through for example, the use of photovoltaic energy. Thus, during 2020, the main headquarters located in Beasain has enabled the generation of renewable energy, equivalent to 6% of the factory's annual electricity consumption, from the solar panels installed on the roof of the workshops and the hydroelectric plant belonging to the CAF Group.

Looking ahead to 2021, CAF will continue to implement actions to reduce energy consumption in the different CAF manufacturing plants. In addition, for the energy supply of the matrix, a 100% renewable energy consumption service has been contracted for the next two years, with a guarantee of origin.

Direct and indirect energy consumption (MWh)	2020	2019
Natural gas ⁴¹	106,099	129,302
Diesel ⁴²	347	306
Electric power	52,433	59,339
Thermal energy	3,645	4,077

⁴⁰ The significant reduction in river water consumption is mainly due to the special impact generated by the Covid-19 pandemic in the production area where most river water consumption takes place.

⁴¹ The % of natural gas consumption for heating the facilities represents approximately 20% of their total consumption.

⁴² Consumption related to equipment for transporting materials in the factory.

● Emissions and greenhouse gases (GHGs)

The main source of direct emissions that contribute to the company's Greenhouse Gases (GHG) is CO₂ emissions from energy consumption. Likewise, studies on the development of more efficient and environmentally friendly means of transport show that the greatest impact on the life cycle of products is focused on the use phase, in particular that associated with energy consumption. For this reason, the Group is concentrating its efforts on gradually reducing its greenhouse gas emission intensity in two ways: by improving energy efficiency in its activities and production facilities, and by researching and developing sustainable transport solutions.

In this line, in addition to the analysis of the impact of the product life cycle of the railway activity reflected in obtaining environmental product declarations (EPDs) mentioned in the previous section, in the bus activity, during 2020, the carbon footprint of the Bolechowo and Środa Wlkp plants has been calculated, which will be used as a basis for the definition of greenhouse gas reduction targets in the coming years.

With regard to greenhouse gas emissions, CAF's parent company has defined in the management review report, which is part of the environmental management system, the objective of eliminating indirect CO₂ emissions (Scope 2) from its perimeter by 2021. This would mean a theoretical reduction of 66% of Scope 2 emissions from CAF Group's manufacturing centers, using 2020 emissions as a reference. In order to achieve this objective, a 100% renewable electricity consumption service has been contracted for the aforementioned matrix.

Similarly, with the aim of reducing emissions in the transport of waste from the manufacturing plant to the waste management plant, two measures were implemented during 2020 at the UK manufacturing center. On the one hand, the hazardous waste manager has been replaced by another one closer to the production plant and, on the other hand, a compactor has been acquired for the cardboard generated, reducing the volume of waste and, therefore, the number of journeys to be made. With this, an annual reduction of 3,380 km in transport has been achieved, which translates into a 95% reduction in emissions generated in the management thereof.

On the other hand, with regard to the emission of Volatile Organic Compounds (hereinafter VOCs), the CAF Group, in addition to complying with the regulations on the limitation of emissions of volatile organic compounds due to the use of solvents in certain activities⁴³, has reduced its emissions by 35% in the last 5 years, which is equivalent to a reduction of 364 grams of Volatile Organic Compounds for each square meter of surface area⁴⁴. These results have been achieved thanks to the substitution or reduction of solvents used in the production process. Some examples of this are the use of water-based paints in the painting of trains, which do not contain solvent, or the substitution of the use of glue for self-adhesive in the process of gluing carpets.

Emissions (t CO ₂ eq.) ⁴⁵	2020	2019
Scope 1: Fuel emissions	19,393	26,322
Scope 2: Emissions from electricity consumption	16,254	24,329

● Waste

The Group aims to reduce, reuse and recycle the waste produced by the activities it carries out and is therefore committed to the circular economy through its adhesion, since 2017, to the Circular Economy Pact of the Spanish Ministry of Agriculture and Fisheries, Food and Environment (MAPAMA).

Waste management is carried out in accordance with the following premises: 1) To reduce the generation of waste at source, for example, through the use of returnable tools; 2) To maximize the

⁴³ Directive 1999/13/EC, which aims to prevent or reduce the harmful effects on people and the environment that may arise from certain activities that use organic solvents in their manufacturing or working procedures in significant quantities, of 11 March 1999 and its transposition into Spanish legislation by Royal Decree 117/2003, of 31 January, on the limitation of emissions of volatile organic compounds due to the use of solvents in certain activities.

⁴⁴ Data corresponds to the report made to the Basque Government up to the date of publication of this report.

⁴⁵ These emissions are calculated by converting fuel and electricity consumption by emission factors published by the Ministry for Ecological Transition.

reuse, recycling and recovery of waste. Along these lines, by 2020, 85% of the total hazardous and non-hazardous waste generated will be recycled (80% in 2019), 3) To promote awareness campaigns on waste segregation and minimization and 4) To carry out correct treatment and management of waste, with managers close to the facilities.

In 2020, two new initiatives are worth mentioning. The first, related to railway activity, through the signing of two circular economy agreements for the use of expired paints and glues, encouraging the generation of added value through cooperation in the reuse of materials. The second, in the bus activity, where the method of installation and gluing of the floor has been modified, reducing the generation of hazardous waste, especially adhesives, and the generation of inert waste, especially wood.

Waste generated (t)	2020	2019
Hazardous, of which:	1,117	1,226
Recovered	723	660
To landfill	394	566
Non-hazardous, of which:	8,604	9,223
Recovered	7,520	7,749
To landfill	1,084	1,474

6

THE SOCIAL VALUE OF OUR ACTIVITY

“CAF is committed to the socially and environmentally sustainable development of the communities in which it operates, through the reduction of the environmental impact of its operations and products/services and the promotion of activities that contribute to economic development, the generation of knowledge, the promotion of education, and social and cultural promotion.”

CAF’s Sustainability Policy

December 17, 2020

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 where it operates and on the well-being of society in general, through sustainable and environmentally friendly mobility solutions, as indicated throughout the report.

CAF is committed to promoting actions that contribute to the well-being and development of the local communities in which it operates, some intrinsic to its own activities, such as investments in sustainable transport networks and others in relation to collaboration and participation initiatives that fall within four areas: the economic environment, the generation of knowledge, collaboration with educational and training entities and collaboration with social and/or cultural initiatives.

Associated with these commitments, in addition to respecting the social, economic, cultural and linguistic environments in which it operates, the following risks are identified: (i) negative impact 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 and long-term relationships with local communities; (iv) ineffective cooperation with public administrations and local entities; (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 the second chapter, which provides a sequence of activities aimed exclusively at managing them. This process meets the requirement to complete the framework's risk and opportunity analysis.

6.1 Economic promotion in the environment

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

There is a commitment to the local economy, which is specified 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 operates, 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 in which CAF carries out its activities, as well as indirect employment, through the contracting of products and services from local suppliers.

An example of the former is that during the last three financial years more than 90% of the employees have been local⁴⁶, with general conditions in line with the Remuneration and Labor Relations Policies applicable in the Group companies. Along these lines, the CAF Group also guarantees equal conditions in starting salaries for men and women, through the application of the Remuneration and Labor Relations Policies in the Group companies. For more details, see chapter "4. Excellence in our team".

With regard to the generation and maintenance of indirect employment, it should be noted that in 2020, the proportion of spending on local suppliers has risen to 65%⁴⁷ (58% in 2019). Likewise, through CAF's purchasing process, it contributes to ensuring that these suppliers respect the ethical principles set out in the Code of Conduct and the Supplier Code of Conduct, as well as reducing transport routes and, therefore, CO₂ emissions, helping to reduce the carbon footprint linked to its activity. For more details, see chapter "3.4. Responsible Supply Chain".



"More than **90%** of the workers are **local**"

⁴⁶ This includes the available data relating to the Group's employees, understood as local when they are residing in the same country of birth.

⁴⁷ This includes data on purchases made at the Group's relevant sites, which account for 91% of CAF's workforce (90% in 2019). A vendor is considered local when it is located in the same country as the relevant activity that contracts its services.

● 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 in specific initiatives and actions that can affect the economy of the places where it operates locally and internationally.

Among these initiatives, it is worth highlighting the collaboration at a regional level started more than 10 years ago, which has resulted in the creation of Goierri Valley and CAF's participation in the project as a driving company and participation in the board of directors as a member. Created in 2017 with the vision of being the engine of the industrial transformation of the Goierri region, it aims to promote the development of industry in the Goierri region by encouraging collaboration between companies and other public agents in areas that affect their competitiveness (diversification of markets and products, innovation and training).



With regard to the activity carried out by CAF in the different challenges set for 2020, the following stand out:

- Challenge 1 Intercooperation network: CAF has participated as a speaker in the Value Share project, whose objective is to transfer the knowledge and future strategies of tractor companies to SMEs in order to identify opportunities for collaboration.
- Challenge 2 Collaboration network: CAF is participating in the different forums organized by the Association (Tractor Committee, Tractor Forums, Multilevel Forums), sharing experiences and needs, in order to collaborate in solving common problems detected.
- Challenge 3 Strengthening of SMEs: in the framework of this last challenge, we have participated in the activities aligned with the Smart Mobility strategy of the region.

With a different intensity, CAF continues to participate in the activities of economic entities with business or sectorial relevance. Below are some of the entities in which we have participated throughout 2020.

Asociación de Empresarios de Gipuzkoa (ADEGI)	Fórum Nueva Economía
Confederación Española de Organizaciones Empresariales	Chamber of Commerce
Círculo de Empresarios	MAFEX Spanish Railway Association
Club de exportadores	Union Internationale des Transports Publics - UITP
Asociación Progreso Dirección (APD)	Industria Ferroviaria Europeo - UNIFE
Federación de empresas del Metal de Zaragoza	Railway Industry Cooperation Forum (JBS)

In all these organizations CAF has the right to both represent the company's interests and contribute from its position and role as a major company on aspects that may be of general interest.

● Promotion of new business models

CAF has the firm intention of collaborating in the revitalization of its socio-economic environment and therefore, in 2014, launched the CAF Ventures initiative, whose objective is to collaborate with startups. This collaboration is materialized through the realization of open innovation projects and investment. Since then, collaboration with startups has been intensifying, resulting in more than 30 different types of collaboration projects and pilot projects.

In order to go a step further in the line of collaboration with startups, in 2020 CAF launched a program called CAF Startup Station. This program is based on the Venture Client model, which consists of collaborating with the most advanced startups globally, to solve internal challenges of the company by adopting the disruptive solutions of these startups. The Venture Client model was

invented by BMW, with its renowned "BMW Startup Garage" program. CAF is collaborating with the company "27 Pilots" made up of several of the creators of BMW Startup Garage in the adoption of the model and its adaptation to the company's internal processes.

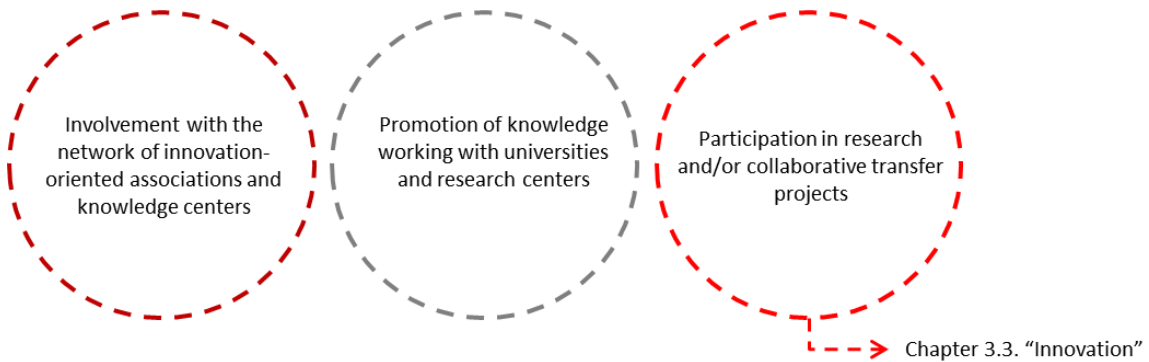
CAF is also a founding member of the BIND4 (Basque Industry 4.0) program, whose main objective is to attract and accelerate startups, promoted by the Basque Government through the SPRI development agency. CAF has participated in this program for the fifth time.



6.2 The generation of knowledge

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

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



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

CEIT

CAF collaborates with this technology center dedicated to applied research in support of the industry. CAF is a member of the Board of Trustees of CEIT and participates in its governing bodies as a member of its Strategic Council

CiC Nanogune

CAF collaborates with CiC Nanogune, a center dedicated to research excellence in nanoscience and nanotechnology, acting as spokesperson for the board of directors.

Lortek

Lortek is an innovative research center with strong expertise in joining technologies. CAF collaborates with Lortek as a member of its Board of Trustees and participates in its governing bodies as a member of its Governing Council.

Tecnalia

CAF is a collaborating partner for the TECNALIA RESEARCH & INNOVATION foundation, a large-scale multidisciplinary technology center. It is also a member of its trust and spokesperson for its executive board.

Shift2Rail

Shift2Rail is the first European railway initiative for carrying out R&D activities and searching for market-oriented solutions through accelerating the integration of advanced technologies in innovative railway products.

CAF is a founding member of Shift2Rail and forms part of the board of directors.

European rail research advisory council (ERRAC)

It is the European technological platform for the railway sector. The European Commission, member states, the European Railway Agency (ERA) and all of the important actors in the railway sector participate in this platform, including the industry, operators, infrastructure managers, technology centers and universities. The main objective of ERRAC is to transmit to the European institutions a common vision to guide R&D in the railway sector.

CAF actively participates in the ERRAC work groups and is also a member of the initiative's board of directors

Foundation for the development of new Hydrogen Technologies in Aragon

Foundation that promotes the development of new Hydrogen Technologies and as such, organizes, manages and executes all types of actions related to hydrogen as an energy vector, with the objective of generating, storing and transporting hydrogen for its use in fuel cells, transport applications or distributed energy generation.

CAF is a member of the Board of Trustees.

Hydrogen Europe (NEW - IG)

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.

European Lean Hydrogen Alliance

This alliance aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the partnership, the EU wants to consolidate its global leadership in this area, to support the EU's commitment to achieve carbon neutrality by 2050.

The CAF Group's Solaris Bus & Coach has joined this alliance.

Donostia International Physics Center

CAF collaborates with this center whose objective is scientific research in the field of basic and applied physics in areas of interest for Basque society and for international scientific development.

CAF is a founding member of the Board of Trustees.

Research and Innovation Commissions

CAF is a member of several research and innovation commissions, such as the one organized by the CEOE or the one promoted by the Chamber of Commerce, in which it reflects on the situation of research, development and innovation and maintains a dialog with the Administration and with different organizations and entities in relation to R&D&I activities and policies.

Ikerlan

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

BAIC

CAF R&D is expected to join the Basque Artificial Intelligence Center (BAIC) Association promoted by the Basque Government at the beginning of 2021. This is an initiative to establish a space for public-private collaboration to give a boost to AI in the Basque Country, achieve the transfer to industry and position the Basque Country at an international level in Digitalization and Artificial Intelligence.

Cybersecurity Forums

CAF collaborates in several national and international forums related to cybersecurity. CAF is integrated in CENELEC WG23 for the creation of TS50701, a specific European standard for Cybersecurity in the railway sector. It also participates in UNIFE Cybersecurity Subgroup and in the National Railway Sector Cybersecurity Working Group coordinated by INCIBE, in which RENFE and ADIF also participate.

AENOR/UNE

The Spanish Association for Standardization and Certification (AENOR) is an entity dedicated to the development of standardization and certification in all industrial and service sectors. On 1 January 2017, AENOR was legally separated into two independent parts:

A) On the one hand, the current Spanish Association for Standardization (UNE) is created which is the entity designated by Spain to carry out standardization activities in the country (UNE standards) and participates in international standardization (EN and ISO standards).

B) On the other hand, the activities of conformity assessment (certification) and other auxiliary activities are in the hands of the new AENOR Internacional, S.A.U.

CEN/CENELEC/IEC

European (CEN, CENELEC) and International (IEC) Standardization Organizations. CAF has representatives in 29 working groups.

UNIFE/ERRAC

The UNIFE association represents European train manufacturers and railway equipment suppliers.

The European Rail Research Advisory Council (ERRAC) was established in 2001 by UNIFE with the ambitious aim of creating a single European body with the competence and capacity to help evolve the European railway sector. CAF has representatives in 27 working groups

● Promotion of knowledge in collaboration with universities and research centers

CAF Railway Laboratory - Tecnun - CEIT

CAF's collaboration with the CEIT technology center and the Tecnun School of Engineering, both located in the campus of the University of Navarra in San Sebastián, has been in place for decades, embodied in activities like the development of collaborative research projects, joint organization of courses and seminars, and teaching assignments. With regard to this last point, it should be noted that CAF engineers always form part of Tecnun's teaching body.

In June 2001, a first collaboration framework agreement was signed between the three entities, which has been renewed until today, with the aim of increasing the technological knowledge of the signatory entities and improving the preparation of future engineers, founding the Railway Laboratory. This initiative has helped channel carrying out applied research projects and bachelors and doctoral theses, and the installations and equipment have been adapted to generate knowledge in the railway field.

CAF Classroom - Mondragon Unibertsitatea (MU)

For several years, CAF has maintained a collaboration agreement with the Mondragón Higher Polytechnic School that has taken shape in a Research Program and the transfer of collaboration.

This framework includes collaborating to design programs for teachers, participation in presenting, evaluating and defining projects and designing experiences at the company. All of the foregoing has the purpose of ensuring that the relevant studies are aligned with the company's real needs that improve the knowledge and professional capacities of students, and finally, to promote the transfer of knowledge.

The Classroom has the adequate space and equipment to carry out these functions.

Boards of Cooperative Educational Services of New York

In the United States CAF USA collaborates with the organization "Boards of Cooperative Educational Services of New York" in the identification and development of the changing training needs and competencies of professionals.

AGH University of Science and Technology in Kraków

In Poland, the doctoral thesis program developed by Solaris Bus & Coach together with AGH University of Science and Technology in Krakow stands out. It seeks to create conditions for cooperation between the scientific community and the socio-economic environment, enabling several employees to complete their doctoral thesis through a tripartite agreement between them, the university and the company.

6.3 Collaboration in the field of education

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

CAF remains committed to training future professionals. To do so, it has established a series of collaboration agreements with educational institutions and entities that promote the employment of young people in the field in which it operates.

● Educational entities and entities for the promotion of employment

State

- | | |
|---|--|
| <ul style="list-style-type: none"> - Alecop - University of Zaragoza Enterprise Foundation - Novia Salcedo Foundation - Urola Garaia Vocational Training Center (UGLE) - Meka Vocational Training Center - Don Bosko Vocational Training Center - Goierri Eskola - National Institute for Stock Market Studies - Carlos III University - CEU University - Complutense University | <ul style="list-style-type: none"> - Deusto University - Mondragón University - University of Navarra (Tecnum) - University of Zaragoza - Basque Country University - National Distance Education University (UNED) - Polytechnic University of Madrid - Pontificia de Comillas University - Public University of Navarra (UPNA) - University of Almeria - University of Lleida - University of Oviedo |
|---|--|

International

- | | |
|--|--|
| <ul style="list-style-type: none"> - Myerscough College - University of Sao Paulo - Mackenzie Presbyterian University - Edison Institute - CSS Workforce NY - Technological University of Tláhuac - Cuautitlán Technological School of Higher Education - ISEC Business University | <ul style="list-style-type: none"> - Technical University of Poznań - Telecommunication School Complex in Poznań - Vocational School in Murowana Goślina and Swarzędz - Vocational School in Środa Wielkopolska - Automotive School Complex in Poznań - Automotive School Complex in Poznań - Higher Vocational Education Stockholm - Skåne Municipality |
|--|--|

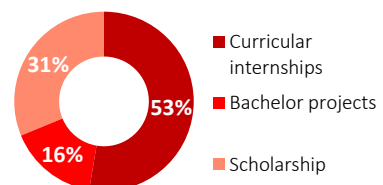
These collaboration agreements allow access to training programs for CAF employees, but their main goal is to offer opportunities for transition between training and the world of employment through placements at the different sites of the CAF Group on both the national and international level.

With this goal, the CAF Group promotes the management of placements to facilitate the completion of studies through curricular internships, the production of final projects for university degrees, and master's degrees, as well as scholarships for postgraduates, providing first work experience complemented with training. This year, although some of these activities have had to be suspended due to the pandemic caused by Covid-19, more than 300 placements were offered, which have been adapted to the special circumstances of the year wherever possible. To carry out this activity, both the parent company and some of the Group's subsidiaries collaborate with the Novia Salcedo Foundation with the aim of accompanying young people in their professional integration through anticipation and collaboration.

"More than 300
company
placements"

● Scholarship Programs for Internationalization

CAF is clearly committed to internationalization and is aware of the need to have people with an international profile. It is considered important to promote this profile in society and, to this end, CAF collaborates annually with the Basque Government in its scholarship programs for internationalization.



Global Training Scholarships of the Basque Government

This program provides young people with a university degree and higher degrees of professional training—a powerful mechanism that allows them to take part in paid internships in companies and organizations abroad, in activities and projects related to their academic and professional profile, for at least 6 months.

Internationalization Scholarships of the Basque Government

The purpose of this program is to train young people with university degrees in internationalization so that in the future, Basque companies and other entities can have a pool of professionals who allow them to effectively handle the challenges of the open economy.

In 2020, international activity promoting graduate scholarships at CAF Group sites was interrupted due to the impact of the Covid-19 pandemic and the restrictions on movement that were put in place. In this context, efforts have been focused on adapting the activities that were already underway by creating scholarships at CAF sites in countries such as Sweden, the United Kingdom, Hungary, Holland, and Norway.

● European initiatives coordinated by UNIFE

Along the same lines, CAF's participation in two European initiatives coordinated by UNIFE stood out in 2020.

The first of these is called "Hop-on The Planet", created by Europe's leading train suppliers, which aims to show how this industry is accelerating Europe's technological and ecological future. This initiative aims to raise awareness of rail as the path to sustainable transport, and it is a great opportunity for people with STEM training who are looking for innovative jobs that contribute to the decarbonization of transport.



At the same time, CAF also participated in the "Staffer" initiative created by the European Commission that brings together 32 partners from all over the European Union and its railway community. Rail is one of the main driving forces of the European strategic objective of smart, green, sustainable growth. It is also responsible for less than 2% of the final energy used in transport, making it the backbone of Europe's green transport system of the future. However, the sector is currently experiencing a serious skills shortage, as a large part of its workforce is due to retire in the next 10 years, just when technological advances demand greater skills. The consortium aims to develop a holistic strategy that identifies current and emerging skills needs, while collaborating with industry, as well as education and vocational training (EVT) institutions to design specific training and education plans. These will improve employability and career opportunities in the railway sector by establishing trans-European mobility programs and creating work placements for students, trainees, and staff. "Staffer" plans to offer human capital solutions at all levels of the rail value chain, meeting the needs of both the supply industry and the rail operator community.



● First Lego League

In addition, in 2020, CAF also collaborated in the international First Lego League Euskadi tournament, which aims to awaken interest in science and technology among young people. It is aimed at students between 10 and 16 years old, and is designed so that they work in teams, as a formula for collaborative and cooperative learning. This year the proposed theme was CITY SHAPER, building better environments in which to live and work.



6.4 Collaboration with initiatives of a social and/or cultural nature

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

In addition to the different initiatives indicated, CAF collaborates with other public and/or private entities to support social, learning and cultural projects that positively impact the communities in which they take place.

Throughout 2020, CAF has actively collaborated with the institutions described below, contributing to their development.

● Collaboration in social activities

SuEskola Foundation

CAF collaborates with this foundation that was created as a training center for the prevention and extinguishing of fires and which uses innovative technology with real fire.



Green Dachshund Foundation

Foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable. Its aim is to help people and animals in need that are close to the company, implementing aid programs for children and young people, spreading the culture of animal protection and popularizing the volunteer service by involving employees and external stakeholders.



Traffic Calendar

Euromaint collaborates with the publishing house Vita Huset AB to produce the most extensive traffic educational material for children. Traffic calendar 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 addressed throughout the material.



● Activities that promote health, wellness and sports

CAF carries out health, wellness, and sports promotion activities mainly at the local level, however, this activity has been affected this year by the pandemic caused by Covid-19.

In this regard, CAF participates as a partner in the "FIK" project. This is a private initiative for interdisciplinary scientific and technological development, led by the Tecnia technology center, aimed at aging and functional diversity, with the ultimate goal of creating products and/or services that maximize the personal autonomy, independence, health, and quality of life of the elderly and people with functional diversity. Among other results, the project has given rise to the creation of two spin-offs called Fesia and Textia, and CAF is represented on their boards as a shareholder of FIK.



Promotion of culture and linguistics

Bikain Certification

Promotion of the use of the Basque language in the work centers of Beasain and Irún, highlighted by the obtaining of the Bikain certification in the Silver category. This recognition is a certificate of quality in the linguistic management of the Basque language in the professional environment.



CAF - Elhuyar Award

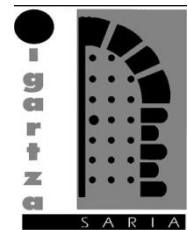
Each year, together with the Elhuyar Foundation, CAF presents the CAF-Elhuyar Award to promote scientific culture in the Basque language. These awards have the objective of driving, awarding and recognizing the dissemination of scientific and technological works carried out in the Basque language.

In 2020, due to the COVID-19 crisis, it was not possible to hold the award ceremony on the usual date. However, we announced the winners on the scheduled date, and the event took place on October 2nd, in San Sebastian.



Igartza Awards

Founded in 1994 by the city of Beasain, with the support of CAF in Beasain and with the help of publishing house ELKAR, the aim of this initiative is to expand Basque culture and support the work of young writers, through the IGARTZA LITERATURE-CREATION GRANTS for new writers. For 23 years running, the authors have been rewarded with the publishing of their books.



Euskaraldia

Euskaraldia is a massive social exercise lasting fifteen days with the aim of changing oral linguistic habits and using the Basque language more. CAF has participated in this initiative since it first took place, promoting spaces for people to express themselves in Basque, called "Arigunes".

Also in 2020, we put our ears and voices to the task in an effort to promote the Basque language in CAF and despite the limitations caused by the pandemic, Euskaraldia showed positive results. In CAF in 2020, 328 employees took part, with the incorporation of around 100 people who had not joined the initiative in the previous year.



7

ADDITIONAL INFORMATION

"To report the financial and non-financial and corporate information provided to the various Stakeholders or voluntarily published in a transparent manner, complying with the existing legal requirements for public information."

*CAF's Sustainability Policy
December 17, 2020*

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 Sustainability Report is one of the main communication tools in this area and in the relationship with its Stakeholders.

● Scope

This report, which covers the period from January 1 to December 31, 2020, is the fifth annual Sustainability Report published by CAF.

The information provided therein covers CAF's activities at the group level. In cases of limitations in the scope, coverage, or other aspects of the information, the appropriate specifications have been made in the chapter itself or in the Index of GRI Content. The reasons for omission in these cases have been that the content is not admissible, as it is not considered material, or due to confidentiality, or the fact that the data is not currently of sufficient quality to be included in the report, in which case work is being done to improve this.

In addition, this report is supported by other reports that provide more specific information on certain matters, like for example, CAF's Consolidated Financial Statements corresponding to the year ending on December 31, 2020, in this case, to reinforce information on the economic context; or the 2020 Annual Corporate Governance Report to reinforce the topics in relation to CAF's Corporate Governance Model.

● International standards used to prepare this report

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

● Relevant aspects and stakeholder participation

CAF maintains an active dialog with all of its stakeholders to identify and address the topics of interest thereto. In this regard, in the preparation of this report, it has considered the materiality analysis carried out to identify the most relevant aspects to be addressed.

For any clarification, questions, or suggestions in relation to the report or the subjects included therein, please contact:

rsc@caf.net

7.2 GRI Content Index

[102-55]

GRI STANDARD	CONTENT TITLE	STANDARD	PAGE	NOTE ⁴⁸
GENERAL CONTENT (2016)				
PROFILE OF THE ORGANIZATION				
GRI 102-1	Name of the organization	Construcciones y Auxiliar de Ferrocarriles, S.A.	100	(1)
GRI 102-2	Activities, brands, products, and services	Consolidated Group Management Report for the year 2020	Industrial Activity	(1)
GRI 102-3	Location of headquarters	Calle José Miguel Iturriz, 26. 20200 Beasain (Guipúzcoa), Spain.	100	(1)
GRI 102-4	Location of operations	3.1 Excellence in Customer Relations	39 – 40	(1)
		Consolidated Group Management Report for the year 2020	Commercial Activity	(1)
GRI 102-5	Ownership and legal form	Annual Corporate Governance Report for 2020	Section A	(1)
		Consolidated Group Financial Statements for the year 2020	Note 14 a) to the Financial Statements	(1)
GRI 102-6	Markets served	3.1 Excellence in Customer Relations	39 – 40	(1)
		Consolidated Group Management Report for the year 2020	Commercial Activity	(1)
GRI 102-7	Size of the organization	4.1 The value of our human capital.	58 – 59	(1)
		2019 Annual Report	Chairman's Letter	(1)
		Consolidated Group Management Report for the year 2020	Industrial Activity	(1)
		Consolidated Group Management Report for the year 2020	Human Resources	(1)
GRI 102-8	Information about employees and other workers	4.1 The value of our human capital	59 – 60	(1)
GRI 102-9	Supply chain	3.4 Responsible supply chain	51	(1)
GRI 102-10	Significant changes in the organization and its supply chain	Consolidated Group Financial Statements for the year 2020	Note 2 F, Note 9 and Note 14a) to the Financial Statements	(1)
GRI 102-11	Precautionary principle or approach	5.2 Environmental footprint of operations	73, 81	(1)
		Annual Corporate Governance Report for 2020	Section E.	(1)
GRI 102-12	External initiatives	Consolidated Group Management Report for the year 2020	Main risks and uncertainties	(1)
		1.1 Overview of CAF and Sustainability	7 – 8	(1)
GRI 102-13	Membership of associations	4.1 The value of our human capital	66 – 67	(1)
		6. The social value of our activity	87 – 97	(1)
STRATEGY				
GRI 102-14	Statement from senior executive decision-makers	2019 Annual Report	Chairman's Letter	(1)
		2.2 Risk Management	27	(1)
GRI 102-15	Main impacts, risks, and opportunities	Consolidated Group Management Report for the year 2020	Main risks and uncertainties	(1)
		2019 Annual Report	Chairman's Letter	(1)
		Annual Corporate Governance Report for 2020	Section E.3	(1)
		Consolidated Group Management Report for the year 2020	CAF Group Business Model and Outlook	(1)
ETHICS AND INTEGRITY				
GRI 102-16	Values, principles, standards, and norms of conduct	1.1 Overview of CAF and Sustainability	6 – 7	(1)
		2.1 Corporate Governance and Regulatory Compliance System	20 – 26	(1)
		2.3 Business ethics, prevention of fraud and corruption, and respect for competition law	29 – 35	(1)
		2.4 Fiscal responsibility	36 – 37	(1)
		Annual Corporate Governance Report for 2020	Section F.1.2.	(1)
GRI 102-17	Advisory mechanisms and ethical concerns	2.1 Corporate Governance and Regulatory Compliance System	20 – 26	(1)
		2.3 Business ethics, prevention of fraud and corruption, and respect for competition law	35	(1)
		3.4 Responsible supply chain	51 – 52	(1)
		7.1 About this report	99	(1)
		Annual Corporate Governance Report for 2020	Section F.1.2.	(1)
GOVERNANCE				
GRI 102-18	Governance structure	Annual Corporate Governance Report for 2020	Section C	(1)
GRI 102-22		Annual Corporate Governance Report for 2020	Section C	(1)

⁴⁸ (1): Scope: CAF Group
(2): Scope indicated in the report.

	Composition of the highest governing body and its committees	2.1 Corporate Governance and Regulatory Compliance System	23 – 26	(1)
GRI 102-23	Chairman of the highest governing body	Annual Corporate Governance Report for 2020	Section C	(1)
GRI 102-24	Nomination and selection of the highest governing body	2.1 Corporate Governance and Regulatory Compliance System	23 – 26	(1)
		Annual Corporate Governance Report for 2020	Sections C.1.5, C.1.6, C.1.7, C.1.19	(1)
GRI 102-25	Conflicts of interest	2.1 Corporate Governance and Regulatory Compliance System	23	(1)
		Annual Corporate Governance Report for 2020	Sections C.1.5, C.1.6, C.1.7, C.1.19, D.6	(1)
		Code of Conduct	Corporate website	(1)
		Corporate management procedure to deal with complaints and internal investigations of the Compliance Committee	Corporate website	(1)
GRI 102-29	Identification and management of economic, environmental, and social impacts	Annual Corporate Governance Report for 2020	Section E.6.	(1)
		Consolidated Group Management Report for the year 2020	Main risks and uncertainties	(1)
GRI 102-30	Effectiveness of risk management processes	2.1 Corporate Governance and Regulatory Compliance System	23	(1)
		2.2 Risk Management	27	
		Annual Corporate Governance Report for 2020	Section E.6	(1)
GRI 102-31	Assessment of economic, environmental, and social issues	Annual Corporate Governance Report for 2020	Section E.6	(1)
		Consolidated Group Management Report for the year 2020	Main risks and uncertainties	(1)
		General Risk Management and Control Policy	Sections 3, 4, 5 and 7.	(1)
GRI 102-35	Remuneration policies	4.1 The value of our human capital	60 – 61	(1)
		Remuneration Policy for the Board members of "Construcciones y Auxiliar De Ferrocarriles, S.A."	Corporate website	(1)
		Annual Corporate Governance Report for 2020	Sections C.1.13, C.1.14, C.2.1.	(1)
		2020 Annual Report on Remuneration of Board members of Listed Companies	Corporate website	(1)
GRI 102-36	Process for determining Remuneration	4.1 The value of our human capital	60	(1)
		Annual Corporate Governance Report for 2020	Sections C.1.13, C.1.14, C.2.1.	(1)
		2020 Annual Report on Remuneration of Board members of Listed Companies	Corporate website	(1)
PARTICIPATION OF STAKEHOLDERS				
GRI 102-40	List of stakeholders	1.2 Our Relationship with our Stakeholders	9 – 11	(1)
GRI 102-41	Collective bargaining agreements	4.1 The value of our human capital	62	(2)
GRI 102-42	Identification and selection of stakeholders	1.2 Our Relationship with our Stakeholders	9 – 11	(1)
GRI 102-43	Approach to stakeholder participation	1.2 Our Relationship with our Stakeholders	9 – 11	(1)
GRI 102-44	Key issues and concerns raised	1.2 Our Relationship with our Stakeholders	9 – 11	(1)
		1.3 Materiality	12 - 13	(1)
		7.1 About this report	99	(1)
REPORTING PRACTICES				
GRI 102-45	Entities included in the consolidated financial statements	Consolidated Group Financial Statements for the year 2020	Note 2 F and Note 9 to the Financial Statements.	(1)
GRI 102-46	Definition of the content of the reports and Coverage of the issue	1.3 Materiality	12 – 13	(1)
GRI 102-47	List of material issues	1.3 Materiality	12 – 13	(1)
GRI 102-48	Restatement of the information	N/A		(1)
GRI 102-49	Changes in reporting	N/A		(1)
GRI 102-50	Reporting period	7.1 About this report	99	(1)
GRI 102-51	Date of last report	2019 CSR Report; February 2019	101	(1)
GRI 102-52	Reporting cycle	7.1 About this report	99	(1)
GRI 102-53	Point of contact for questions about the report	7.1 About this report	99	(1)

GRI 102-54	Statement of preparation of the report in accordance with the GRI Standards	7.1 About this report	99	(1)
GRI 102-55	Index of GRI Content	7.2. GRI Table of Contents	100	(1)
GRI 102-56	External verification	No external verification has been performed beyond that of the Statement of Non-Financial Information	102	(1)
SPECIFIC CONTENTS				
CATEGORY: ECONOMY				
Economic performance (2016)				
GRI 103	Management Approach	1.3 Materiality + Consolidated Group Management Report for the year 2020	13, Business evolution a profit/loss	(1)
GRI 201-2	Financial implications and other risks and opportunities arising from climate change	5.1 Sustainable mobility and eco-efficient products	73 – 80	(1)
GRI 201-3	Defined benefit and other retirement plan obligations	Consolidated Group Financial Statements for the year 2020	Note 3J, Note 15 and Note 20 to the Financial Statements.	(1)
GRI 201-4	Financial assistance received from the government	Consolidated Group Financial Statements for the year 2020	Note 15 and Note 22 D of the Financial Statement	(1)
Diversity and equal opportunities (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 64 – 65	(1)
GRI 202-1	Ratio of standard entry level wage by gender against local minimum wage	The salaries of all CAF employees are established in accordance with the collective bargaining agreements in force, together with the remuneration regulations applicable in each of them, always being higher than the minimum established by law and guaranteeing equitable treatment by setting salary conditions regardless of gender.	102	(1)
Indirect economic impacts (2016)				
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 87	(1)
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	87 – 97	(1)
Procurement Practices (2016)				
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible supply chain	51 – 55	(2)
GRI 204-1	Proportion of spending with local suppliers	3.4 Responsible supply chain	89	(2)
Anti-corruption (2016)				
GRI 103	Management Approach	1.3 Materiality + 2.3 Business ethics, prevention of fraud and corruption, and respect for competition law	13, 29 – 35	(1)
GRI 205-2	Communication and training on anti-corruption policies and procedures	2.3 Business ethics, prevention of fraud and corruption, and respect for competition law Annual Corporate Governance Report for 2020	32 Section F.1.2.	(1) (1)
Unfair Competition (2016)				
GRI 103	Management Approach	1.3 Materiality + 2.3 Business ethics, prevention of fraud and corruption, and respect for competition law	13, 29 – 35	(1)
GRI 206-1	Legal actions relating to unfair competition and monopolistic practices, and against free competition	Consolidated Group Financial Statements for the year 2020	Note 20 and Note 26 to the Financial Statements	(1)
Taxation (2019)				
GRI 103	Management Approach	1.3 Materiality + 2.4 Fiscal responsibility	13, 36 – 37	(1)
GRI 207-1	Fiscal approach	2.4 Fiscal responsibility	36 – 37	(1)
GRI 207-2	Fiscal governance, risk management and control	2.4 Fiscal responsibility	36 – 37	(1)
GRI 207-3	Stakeholder participation and management of tax concerns	2.4 Fiscal responsibility	36 – 37	(1)
GRI 207-4	Country-by-country reporting	Consolidated Statement of Non-Financial Information	V. Social matters	(1)
CATEGORY: THE ENVIRONMENT				
Materials (2016)				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	13, 82	(2)
GRI 301-1	Materials used, by weight or volume	5.2 Environmental footprint of operations	82	(2)
Energy (2016)				
GRI 103	Management Approach	1.3 Materiality. + 5.2 Environmental footprint of operations	13, 83	(2)
GRI 302-1	Energy consumption within the organization	5.2 Environmental footprint of operations	83	(2)

Water and effluents (2018)				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	13, 82 – 83	(2)
GRI 303-1	Interaction with water as a shared resource	5.2 Environmental footprint of operations	82 – 83	(2)
GRI 303-2	Management of impacts related to water discharge	5.2 Environmental footprint of operations	82 – 83	(2)
GRI 303-5	Water consumption	5.2 Environmental footprint of operations	82 – 83	(2)
Emissions (2016)				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	13, 84	(2)
GRI 305-1	Direct GHG emissions (Scope 1)	5.2 Environmental footprint of operations	84	(2)
GRI 305-2	Indirect GHG emissions from power generation (scope 2)	5.2 Environmental footprint of operations	84	(2)
Waste (2016)				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	13, 84 – 85	(2)
GRI 306-2	Waste by type and disposal method	5.2 Environmental footprint of operations	84 – 85	(2)
GRI 306-3	Significant spills	No significant spills have been identified	103	(2)
Environmental compliance (2016)				
GRI 103	Management Approach	1.3 Materiality + 5.2 Environmental footprint of operations	13,74, 81	(1)
GRI 307-1	Non-compliance with environmental legislation and regulations	5.2 Environmental footprint of operations	74, 81	(1)
		Consolidated Group Financial Statements for the year 2020	Note 22 C to the Financial Statements	(1)
Environmental assessment of suppliers (2016)				
GRI 103	Management Approach	1.3 Materiality. + 3.4 Responsible supply chain	13, 53 – 55	(2)
GRI 308-2	Negative environmental impacts on the supply chain and measures taken	3.4 Responsible supply chain	53 – 55	(2)
CATEGORY: SOCIAL				
Employment (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 57 – 61	(1)
GRI 401-1	New employee hires and staff turnover	4.1 The value of our human capital	58 – 59	(1)
GRI 401-2	Benefits for full-time employees not provided to part-time or temporary employees	4.1 The value of our human capital	61	(1)
Employee-company relations (2016)				
GRI 103	Management Approach	1.3 Materiality. + 4.1 The value of our human capital.	13, 62	(1)
GRI 402-1	Minimum notice periods for operational changes	The provisions of the applicable agreement or, secondarily, the corresponding local legislation are complied with in this regard	103	(1)
Occupational health and safety (2018)				
GRI 103	Management Approach	1.3 Materiality + 4.3 Occupational Risk Prevention	13, 68 – 71	(1)
GRI 403-1	Occupational health and safety management system	4.3 Occupational Risk Prevention	68	(2)
GRI 403-2	Hazard Identification, Risk Assessment, and Incident Investigation	4.3 Occupational Risk Prevention	68 – 71	(2)
GRI 403-3	Occupational Health Services	4.3 Occupational Risk Prevention	69	(2)
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety issues	4.3 Occupational Risk Prevention	69	(2)
GRI 403-5	Occupational health and safety training for workers	4.3 Occupational Risk Prevention	71	(2)
GRI 403-6	Promotion of the health of the worker	4.3 Occupational Risk Prevention	71	(2)
GRI 403-7	Prevention and mitigation of occupational health and safety	4.3 Occupational Risk Prevention	71	(2)

	impacts directly linked through business relationships			
GRI 403-9	Work-related injuries	4.3 Occupational Risk Prevention	69 – 70	(1)
Training and teaching (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 62 – 63	(1)
GRI 404-1	Average hours of training per year per employee	4.1 The value of our human capital	63	(2)
GRI 404-3	Percentage of employees receiving periodic performance and career development evaluations	4.1 The value of our human capital	63	(2)
Diversity and equal opportunities (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 64 – 65	(1)
GRI 405-1	Diversity in governing bodies and employees	4.1 The value of our human capital Annual Corporate Governance Report for 2020	58 – 60 Section C	(1) (1)
Non-discrimination (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 64 – 67	(1)
GRI 406-1	Cases of discrimination and remedial action taken	4.1 The value of our human capital	65	(1)
Freedom of association and collective bargaining (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 62, 66 – 67	(1)
GRI 407-1	Operations and suppliers whose right to freedom of association and collective bargaining may be at risk	No significant centers and providers affected in this regard have been identified.	104	(1)
Child labor (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 66 – 67	(1)
GRI 408-1	Operations and suppliers with significant risk of cases of child labor	No significant centers and providers affected in this regard have been identified.	104	(1)
Forced or compulsory labor (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 66 – 67	(1)
GRI 409-1	Operations and suppliers with significant risk of cases of forced or compulsory labor	No centers and providers with a significant risk in this regard have been identified.	104	(1)
Indigenous peoples' rights (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 66 – 67	(1)
GRI 411-1	Cases of violations of the rights of indigenous peoples	No cases have been detected in this regard.	104	(1)
Human Rights Assessment (2016)				
GRI 103	Management Approach	1.3 Materiality + 4.1 The value of our human capital	13, 66 – 67	(1)
GRI 412-2	Employee training on human rights policies or procedures	4.1 The value of our human capital	66 – 67	(1)
Local communities (2016)				
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 66 – 67	(1)
GRI 413-2	Operations with a significant negative impact - actual and potential - on local communities	No operating centers with a significant negative impact in this regard have been identified.	104	(1)
Social assessment of suppliers (2016)				
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible supply chain	13, 53 – 55	(2)
GRI 414-2	Negative social impacts on the supply chain and measures taken	3.4 Responsible supply chain	53 – 55	(2)
Public Policy (2016)				
GRI 103	Management Approach	1.3 Materiality + 2.3 Business ethics, prevention of fraud and corruption, and respect for competition law	13, 29	(1)
GRI 415-1	Contributions to political parties and/or representatives	CAF is a company with a neutral position in relation to political parties.	104	(1)
Customer health and safety (2016)				
GRI 103	Management Approach	1.3 Materiality + 3.2 Quality and Safety	13, 42 – 45	(1)

GRI 416-1	Assessment of the impact on health and safety of product or service categories	3.2 Quality and Safety	42 – 45	(1)
GRI 416-2	Cases of non-compliance related to the impact on health and safety of product and service categories	3.2 Quality and Safety	45	(1)
Marketing and labeling (2016)				
GRI 103	Management Approach	1.3 Materiality + 3.1 Excellence in Customer Relations + 3.2 Quality and Safety	13, 42 – 45	(1)
GRI 417-2	Cases of non-compliance related to product and service information and labeling	No significant non-compliance has been detected in this regard.	105	(1)
GRI 417-3	Cases of non-compliance related to marketing communications	No significant non-compliance has been detected in this regard.	105	(1)
Customer privacy 2016				
GRI 103	Management Approach	1.3 Materiality	13, 43 – 45	(1)
GRI 418-1	Fundamental complaints regarding breaches of customer privacy and loss of customer data	No significant non-compliance has been detected in this regard.	105	(1)
Socioeconomic compliance (2016)				
GRI 103	Management Approach	1.3 Materiality + 2.1 Corporate Governance and Regulatory Compliance System	13, 20 – 26	(1)
GRI 419-1	Non-compliance with laws and regulations in the social and economic spheres	Consolidated Group Financial Statements for the year 2020	Note 20 and Note 26 to the Financial Statements.	(1)