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Non-Financial Information Statement - Sustainability Report 2021



the \mathbb{R}^n -valued function \mathbf{f} is a solution of the system (1) if and only if \mathbf{f} is a solution of the system (2).

Let us assume that \mathbf{f} is a solution of the system (2). Then, for any $t \in \mathbb{R}$, we have

$$\mathbf{f}(t) = \mathbf{f}(0) + \int_0^t \mathbf{f}'(s) ds = \mathbf{f}(0) + \int_0^t \mathbf{A}(s) \mathbf{f}(s) ds.$$

Since \mathbf{f} is a solution of the system (2), we have $\mathbf{f}(0) = \mathbf{0}$. Therefore, we have

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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 Sustainability Policy
17 December 2020*

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1.1 CAF's Overall Vision and Sustainability

[102-16, 102-49, 102-40, 102-42, 102-43, 102-44]

CAF is a multinational group with over 100 years' experience offering integrated transport systems at the forefront of technology that provide high value-added sustainable mobility for its customers.

With multiple activities and plants and a leader in the railway industry, the Group offers its customers one of the widest and most flexible product ranges in the market, from integrated transport systems to rolling stock (railway and bus), components, infrastructure, signalling and services (maintenance, refurbishment and financing). All this value offer is available on the corporate website.

- In railway rolling stock, which has traditionally been its core business, the Group offers a wide range of products, from high-speed trains to regional and suburban trains (diesel and electric), mass rapid transit (MRT), trams and light rail transit (LRV), and locomotives, among others.
- In buses, the Group offers a wide range of battery and hydrogen buses with zero emissions, where it has held a leading position in the European market since 2012¹. In the current financial year, the "Solaris Urbino 15 LE" model was also awarded the "Sustainability Award 2021" for the best electric bus by the prestigious German magazine "Busplaner".

CAF is adopting prominent positions with a view to extending its value offer in sustainable mobility and contributing to decarbonisation. Further information is provided in chapters "3.3 Innovation and technology" and "5.3 Sustainable and efficient mobility".

The Group provides services to the most diverse customers all over the world, from private or public municipal and regional or national bodies, to other rolling stock manufacturers and private systems operating or maintenance companies, including complex corporate structures in conjunction with entities with a financial profile.

The Group has a strong presence in the international market, focusing heavily on Europe, with production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. It also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. All this information can be found in its corporate website. This close relationship with customers allows the Group to produce more efficiently and provide an excellent range of assistance and maintenance services.

Experience in global sustainable mobility

-  > 200 rolling stock projects
-  > 20,000 buses
-  > 50 markets

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

MISSION

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

The company is a leader of the railway industry offering one of the most comprehensive and flexible arrays of products in railway related markets, such as rolling stock, components, infrastructure, signalling and services (maintenance, refurbishing and financial services).

CAF's committed personnel and the cooperation with our business partners enable us to enhance customer satisfaction and create value for our shareholders.

Approved by the
Executive Committee on
23 December 2016

¹ Chatrou CME solutions

VISION

Approved by the
Executive Committee on
23 December 2016

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

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

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

Similarly, the corporate values applied to all the Group's activities reflect the commitment to the principles set out in the Sustainability Policy and make them more present in day-to-day business. In 2021 a new corporate value has been communicated, "Health and Safety in People and the Environment".

Honesty and Integrity	Acting in the right way, conforming to the rules.
Responsibility and Commitment	Taking charge, honouring commitments.
Results and Perseverance	Providing solutions to the situations that arise and establishing actions to do so. Achieving what you set out to do by overcoming the difficulties that may arise.
Excellence and Learning	Doing things well, improving the activity and providing new solutions. Being open to learn and undertake new activities.
Cooperation and Teamwork	Working with others brings greater value.
Health and Safety of People and the Environment	Working in safe environments by reinforcing the health and safety of all people

As a result of its commitment to sustainability and the environment in which it carries out its activities, the CAF Group (hereinafter CAF) has an updated Sustainability Policy approved on 17 December 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 that the organisation promotes while undertaking its activities and is available on the corporate website.

CAF's main objective in terms of Sustainability is to reconcile undertaking its mission with the balanced satisfaction of stakeholder needs and expectations for creating value in a sustainable and long-term manner. CAF undertakes this task, complying not only with its legal obligations but also with best practices in the areas of Corporate Governance, Risk Management, Regulatory Compliance and Sustainability.

To achieve its stated objective, CAF follows the following principles of action when carrying on its activities:

1	Legal compliance and prevention of corruption and other illegal conduct,
2	Respect for Human and Basic Rights
3	Compliance with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability
4	Transparency and Confidentiality
5	Responsible Communication
6	Fiscal responsibility
7	Innovation and Sustainability
8	Environment

CAF continues to take steps to reinforce and consolidate the work carried out to meet the objectives set out 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 the commitments, as well as monitoring activities in this area, under the coordination of the Human Resources Department. The main responsibility of each member of the Committee is to ensure the deployment of Sustainability activities with a corporate scope in their respective areas of expertise. In this regard, he or she is the point of reference and interlocutor in this field in the areas he or she represents and the voice of these areas within the Committee. In addition, the members are responsible for communicating to the Committee relevant aspects in this area that require a shared vision to be established and for bringing relevant aspects to the executive and/or decision-making

bodies in their area. In this regard, the Committee evaluates the matters submitted to it and may issue recommendations on the substance and on the most appropriate channel for processing them.

The Nomination and Remuneration Committee has been assigned the functions of evaluating and supervising the policy and practices in environmental and social matters, so that it fulfils its mission of promoting the social interest and also the processes of relations with the different Stakeholders, taking into account the legitimate interests of the latter. In compliance with the above, it is responsible for monitoring and controlling the Sustainability Policy. The Board of Directors is regularly informed of activities in the area of sustainability and stakeholder relations in accordance with the provisions of this policy.

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

During the 2021 financial year, CAF has continued to improve its process management in line with its increasing sensitivity to ESG issues, as well as the increase in Stakeholder requirements in the different activities. In this period, it is worth highlighting the work carried out in the following areas of action:

- Incorporation of Sustainability among the three strategic challenges on which the 2021-2022 Management Plan is structured, together with growth and profitability.
- Updating of the Materiality Analysis in accordance with the requirements of the Global Reporting Initiative (GRI) reporting standard and the latest requirements in this area.
- Drafting the first Sustainability Plan that integrates specific initiatives in this area with corporate scope and direct impact on ESG.
- Creation of the Sustainability Scorecard including the Group's main non-financial targets.
- Preparation of Solaris' first sustainability report for 2020.
- Progress in the implementation of the Corporate Management Model aligned with ISO 26000:2012 with the deployment of corporate policies on ESG matters.
- Progress in the Organisational Structure through the Sustainability Committee and specialised Corporate Forums (User Health and Safety and Cybersecurity).
- Preparation of the first "ESG Equity Story", summarising what sustainability means for CAF, its governance, main achievements and future commitments.
- Incorporation of relevant aspects of non-financial information in interim earnings releases alongside financial information.
- Creation of a specific section on Sustainability on the corporate website.
- Improved perception of the Group's performance by rating agencies in the area of Sustainability.
- Adherence to the SBTi (Science Based Targets Initiative) and Race to Zero, as part of the carbon neutrality strategy. This action is part of the alignment initiatives against climate change and with the Paris Agreement, which reinforces the company's commitment to the challenge of climate change.
- First exercise to calculate the CAF Group's carbon footprint for Scopes 1, 2 and 3 for the years 2019 and 2020.
- Continued 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, labour, the environment and anti-corruption and enjoy universal consensus.
- Preparation of a single document including the Statement of Non-Financial Information and the Sustainability Report following the information requirements and recommendations of the GRI Standards implemented by the *Global Reporting Initiative* (GRI), as well as the regulation relating to preparing Statements of Non-Financial Information (Law 11/2018, of 28 December), which forms part of CAF Group's Management Report.



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

1.2 Value creation and Stakeholders

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

CAF's Strategic Framework is based on two pillars. The Business Strategy, which sets out which products, markets, customers and technologies to address. And the Management Strategy, which defines how this business strategy will be implemented (Company governance; policies, procedures, management committees, processes, etc.). The combination of both strategies results in creating value, in the form of Results. For CAF, creating value means satisfying the needs and expectations of its Stakeholders.

CAF does not have any market standard that supports the definition of value creation, but has established its Strategic Management Framework in response to different market standards, for example: ISO TS 22163 (IRIS), ISO 26000 and the EFQM (European Foundation for Quality Management) Model.

The stakeholders, who were first formally identified in the definition of the Code of Conduct in 2011, are at the heart of CAF's strategy, and the Sustainability Policy confirms its continuation and defines the commitments acquired with regard to the different types of stakeholders, namely, the shareholders, customers, people, suppliers and society at large.



These commitments are applied in the ordinary course of business in accordance with the corporate social responsibility guidelines included in the ISO 26000:2012 standard, through CAF's Management Model which establishes the policies, initiatives and objectives specific to each type of stakeholder. This model contains the CAF Group's Management Strategy which, together with the business strategy, forms part of the Group's global strategic framework.

The Management Model, personalised attention and ongoing improvement guide the Group to meet its customers' needs and expectations, and make each delivery into a recommendation for future business; this was evidenced by the more than 200 projects and orders awarded in over 50 countries in recent years, which have translated into a record backlog and repeat business from our customers.

CAF Group has a Policy on Communication of Economic-Financial, Non-Financial and Corporate Information, and Contacts with Shareholders, Institutional Investors and Voting Advisors (in compliance with the principles of good corporate governance set out in the Good Governance Code for listed companies, approved by the National Securities Market Commission in February 2015 and revised in June 2020 and applicable legislation). This Policy, initially approved by CAF's Board of Directors on 28 October 2015 as the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors, and last amended on 17 December 2020, sets out CAF's commitment to the participation of, and dialogue with, stakeholders, and specifies the responsible communication practices that constitute a principle of the Sustainability Policy.

In 2021, work was carried out on preparing the Manual that implements this Policy, which aims to be a tool for implementing the basic corporate principles and criteria indicated in the General Communication Policy.

CAF aims to build a relationship of trust with the stakeholders. It therefore promotes continuous and effective communication with its Stakeholders through the following communication channels, with the aim of encouraging their participation and involvement in corporate objectives and in those areas in which their activities are affected.

Stakeholders	Communication channels
Shareholders ²	- Shareholders and Investors Services Office
	- Spanish National Securities Market Commission (CNMV) communications
	- Annual General Meeting
	- Regular informative meetings
	- CAF Website (www.caf.net)
Customers	- Whistleblowing channel
	- Shareholders and investors Survey
	- Meetings with potential customers
	- Customer meetings on projects
	- Customer audits
People	- Quality and Safety Management System Audits
	- CAF Website (www.caf.net)
	- Whistleblowing channel
	- Customer Satisfaction Surveys
	- CAF Portal
Suppliers	- Internal communication channels - Direct communication
	- Union representation
	- Corporate magazine
	- Whistleblowing channel
	- CAF Website (www.caf.net)
Society	- Organisation Health Survey
	- Supplier portal
	- CAF Website (www.caf.net)
	- Supplier audits
	- Whistleblowing channel
Society	- Supplier Satisfaction Surveys
	- CAF Website (www.caf.net)
	- Direct relationship with public authorities
	- Participation at forums and in associations
	- Whistleblowing channel
Society	- Statement of Non-Financial Information - Sustainability Report
	- Society communication assessment survey (Q4/2021)

In addition to helping maximise the dissemination and quality of the information available to the market and the CAF Group's stakeholders, these channels are central to ascertaining the latter's concerns and interests in relation to Sustainability, and are key to defining CAF's strategy and action in this area.

For that purpose, CAF has a systematize communication process which defines the relevant indicators for each type of stakeholder and establishes the related action plans for subsequent communication through the above channels. To ascertain stakeholders' perceptions, their satisfaction is measured and monitored, and the communication with stakeholders is assessed. The following table shows both the trend and the scope of the measurement:

² The information on shareholders is included in CAF's Annual Corporate Governance report, available on the corporate website

² Communication channel for both the institutional investor and the minority shareholder

Satisfaction of all stakeholders

Stakeholder type	Measure	Scope	Evolution	Outlook
Shareholders	% of affirmative votes in the approval of the financial statements and the directors' report (Annual General Meeting)	≥ 78% of subscribed share capital with voting rights	Positive. In line with the objective	Unchanged
Customers	Annual Railway Satisfaction Survey Biennial Bus Satisfaction Survey	≥ 84% Group sales	Positive. In line with the objective	Unchanged
Individuals	Organisational Health Index	≥ 85% Group workforce	Positive.	Improved
Suppliers	Annual Satisfaction Survey	≥ 80% Group purchases	Negative	Increase of scope Stable result
Company ³	Satisfaction Survey	≥ 59% Group workforce	First assessment	Scope extension Stable result

Assessment of communication with stakeholders

Stakeholder	Measure	Scope	Evolution	Outlook
Shareholders	Communication Assessment Survey	Not applicable (biennial)	Not applicable (biennial)	Unchanged
Customers	Communication Assessment Survey	≥ 77% Group sales	Positive.	Scope extension Stable result
Individuals	Communication Assessment Survey	≥ 60% of the workforce	Positive.	Scope extension Improved result
Suppliers	Communication Assessment Survey	≥ 80% of purchases	Negative	Scope extension Stable result
Company	Communication Assessment Survey	≥ 59% of the Group	First assessment	Scope extension Stable result

In addition to improving the performance of the indicator, we are also working to increase the scope of the measurement to the entire Group and all Stakeholders. To this end, there is a communication process in which measurement indicators have been defined for each Stakeholder group, which have become second-level objectives and have been included in the Sustainability Scorecard.

These are monitored through the Sustainability Committee and appropriate actions for improvement are established.

³ The Society Interest Group for CAF Group is identified with the communities in which it operates with presence of industrial and service activities, as well as the geographies where it delivers its products and services, considering both the economic and environmental impact. In addition, CAF Group promotes a positive impact with activities in collaboration with agents that contribute to economic development (public administrations, business associations, clusters, groups of companies, etc.), knowledge generation (innovation-oriented associations, knowledge centres, research and/or technological centres, etc.), promotion of education (educational entities or entities for the promotion of employment) and social and cultural promotion (public and/or private entities supporting social and/or cultural projects), in the regions in which it operates.

1.3. Materiality

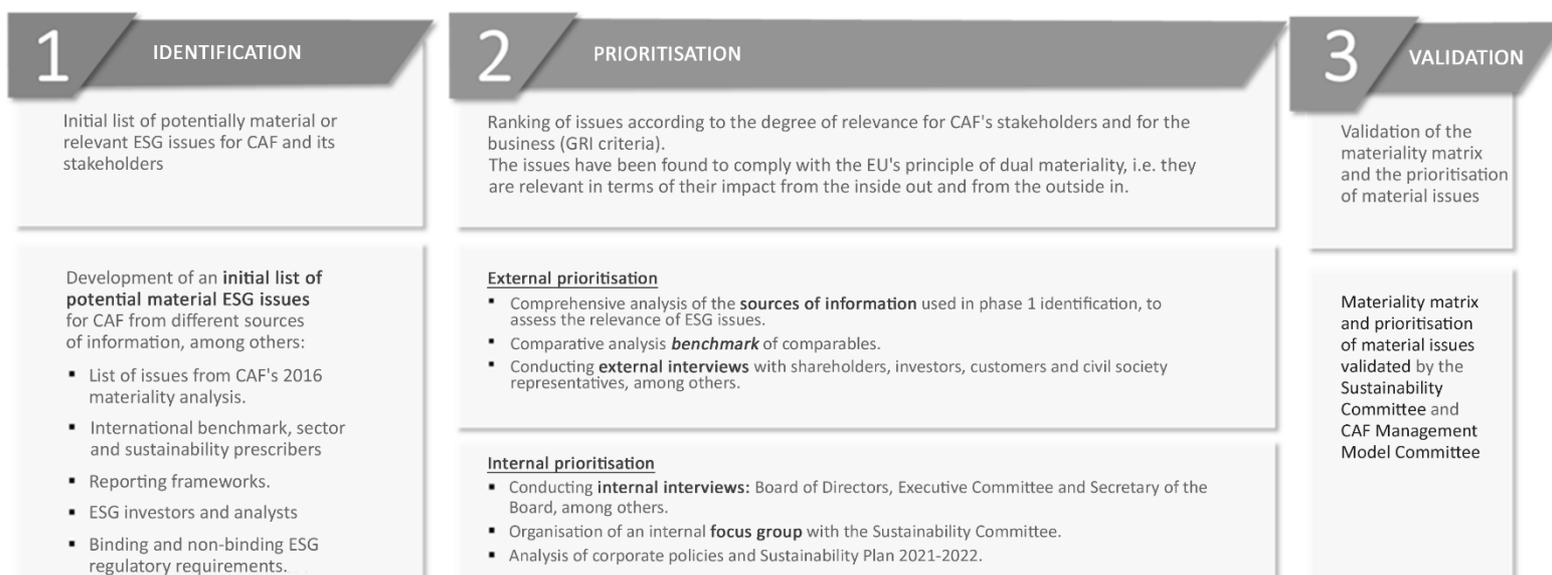
[102-44, 102-46, 102-47,103]

In the context of CAF and its sectors of activity, multiple economic, environmental and social factors intervene and define the Group's sustainability strategy and commitments. 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 on the basis of the expectations and requirements of the Stakeholders identified in this Policy, with special attention to those issues that are most relevant to them and have the greatest impact on the Group's strategy.

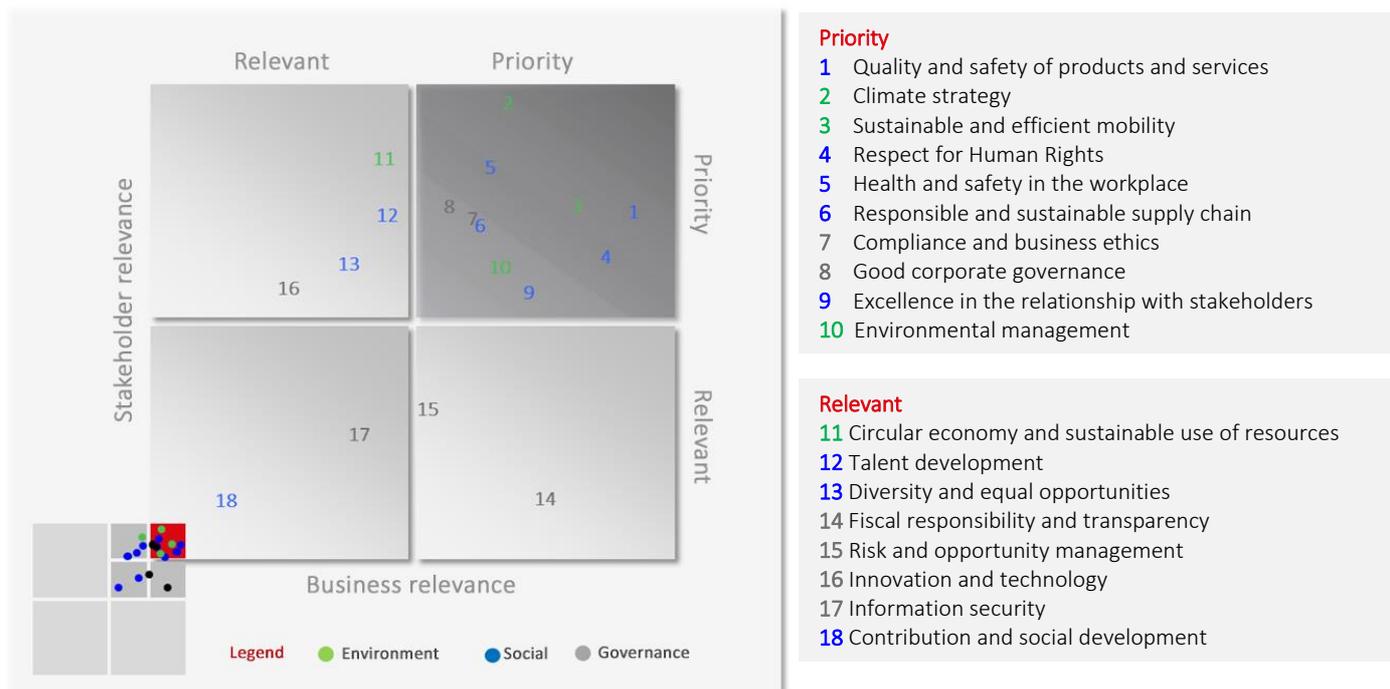
This year, CAF has updated the materiality analysis following the guidelines defined by the Global Reporting Initiative (GRI) standard, as well as Law 11/2018⁴ and the Reports on the supervision by the CNMV of the annual financial reports and main areas of review for the following year. The result of this analysis was published in July 2021 in the ESG Equity Story.

In this new materiality analysis, an initial list of potentially material ESG issues for CAF and its stakeholders has been identified from different sources of information and taking into account the long term as a time horizon. These issues have subsequently been prioritised according to the degree of relevance to CAF's stakeholders and to the business. When defining the degree of relevance of each subject in the interviews carried out in the prioritisation phase, the concept of double materiality was considered, taking into account both the relevance due to its impact from the outside-in and the relevance due to its impact from the inside-out. This has resulted in a prioritised list of material issues for CAF, as well as a materiality matrix, which have been validated by CAF's Sustainability Committee and Management Model Committee.



As a result of the materiality analysis, we set out below the 18 aspects that are relevant to CAF and its Stakeholders in the area of sustainability. Throughout this report, the significant risks and impacts in relation to each of them are exhaustively described.

⁴ Spanish Non-Financial Information and Diversity Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July.



The various sections of this report respond to the issues identified, as set out in the table below. Likewise, chapter "7. Additional information" contains the table of contents of the Statement of Non-Financial Information, the GRI content index and the content index in relation to the Global Compact Principles.

MATERIAL ISSUES	CHAPTERS
1 Quality and safety of products and services	3.1 Quality and safety of products and services
2 Climate strategy	5.2 Climate strategy
3 Sustainable and efficient mobility	5.3 Sustainable and efficient mobility
4 Respect for Human Rights	4.3 Respect for Human Rights
5 Occupational health and safety in the workplace	4.4 Occupational health and safety in the workplace
6 Responsible and sustainable supply chain	3.4 Responsible and sustainable supply chain
7 Compliance and business ethics	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law
8 Good corporate governance	2.1 Good Governance System
9 Excellence in the relationship with stakeholders	1.2 Value creation and our stakeholders
10 Environmental management	5.1 Environmental management
11 Circular economy and sustainable use of resources	5.4 Circular economy and sustainable use of resources
12 Talent development	4.1. Talent development
13 Diversity and equal opportunities	4.2 Diversity and equal opportunities
14 Fiscal responsibility and transparency	2.4 Fiscal responsibility
15 Risk and opportunity management	2.2 Risk management
16 Innovation and technology	3.3 Innovation and technology
17 Information security	3.2 Information security
18 Contribution and social development	6. The social value of our activity

1.4 Sustainability Scorecard

Indicator	Unit	Real			Objective	
		FY19	FY20	FY21		FY21
E. CO ₂ ⁵ emissions intensity	t Co ₂ eq./ MHW ⁶	4.0	3.1	2.4	●	< 3.0
E. Energy consumption per hour worked	kwh/hour	3.1	3.5	3.5	●	< 3.5
E. ISO 14001 Coverage	% of the workforce	62	65	70	●	> 70
E. Sustainable solutions order book	% electric, hybrid, hydrogen	70	72	79	●	> 74
S. Number of accidents with personal injuries in passengers	number	0	0	0	●	0
S. Number of Human Rights non-compliance cases	number	0	0	0	●	0
S. Preventive culture index	1 – 4	2.8	2.8	– ⁷		> 2.8
S. Frequency rate	No. of accidents with sick leave per million hours worked	20.9	18.0	17.3	●	< 18.0
S. ISO 45001 coverage	% of the workforce		47	52	●	> 47
S. Suppliers assessed out of the total Risk Mapping to be assessed	% Suppliers		89.6	84.8	●	90
S. Purchases from high/medium risk suppliers	% Purchases	2.6	2.2	3.9	●	< 2.2
S. Customer satisfaction rating	survey 0 – 10	7.5	7.5	7.7	●	> 7.5
S. Net Promoter Score Index (loyalty)	survey 0 – 10	7.8	8.1	8.0	●	> 8.0
S. Shareholder satisfaction rating	% favourable vote management report at AGM	97.7	99.9	99.0	●	> 98.0
S. Supplier satisfaction rating	survey 0 – 10	7.8	8.1	7.9	●	> 8.0
S. Organisational health index (persons employed)	survey 0 – 10	6.2	6.3	6.4	●	> 6.3
G. Administrative sanctions derived from activities in the securities 38.5 (!) 0 market and related to Competition Law	Millions €	38.5 ⁸	0	1.7 ⁸	●	0
G. Sustainalytics sustainability assessment	Risk level	High (31.8)	Medium (28.5)	Low (18.6)	●	Medium
G. MSCI Sustainability Rating	Level	BBB (5.1)	BBB (5.6)	– ⁷		A
G. S&P Sustainability Rating	0 – 100	17	23	56	●	> 50
G. Ecovadis Sustainability Assessment	Level	Bronze (51)	Bronze (51)	Silver (65)	●	Silver
G. ISO 9001 certification coverage	% of the workforce	89	89	92	●	> 90
G. ISO TS 22163 (IRIS) certification coverage	% applicable railway workforce	82	82	86	●	> 85

⁵ The calculation methodology was modified in 2021. See section 5.2 of this report.

⁶ Not evaluated in 2021

⁷ Amounts appealed in court.

1.5 Sustainable Development Goals

On 25 September 2015, the United Nations General Assembly unanimously adopted the 2030 Agenda for Sustainable Development, which contains 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 everywhere.

Based on the materiality analysis and considering the strategic reflection of the main challenges and SDGs associated with Railsponsible, in 2019 the Sustainability Committee carried out an internal reflection that resulted in identifying the SDGs to which CAF contributes most with its activity, aligned with the Railsponsible proposal.



Environmental Axis

Promotion of sustainable mobility

- Continuous research and development of products and services to respond to the global trend of increasing mobility, climate change and the limitation of fossil fuels.
- Designing greener means of transport, with lower noise emissions, consuming less energy in use and generating less pollution.
- Involvement with the network of national and international innovation-oriented associations.

More information in chapters 3.3 and 5.3.



Reducing the environmental footprint of operations

- Developing strategies to combat 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 chapters 5.1 and 5.4



Promoting Responsible Purchasing

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

Social and Ethical Axis

Professional development and business ethics

- Commitment to scrupulous respect for basic rights, equal treatment and non-discrimination.
- Promotion of high standards of professional ethics, prevention of fraud and corruption and respect for competition law.
- Implementation of people 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.
- Provision of products and services in accordance with high quality and safety standards for customers and users.
- Support for entrepreneurship, through collaboration with start-ups and entrepreneurs.

More information in chapter 6.



More information in chapter 3.4.



1.6 Sustainable Taxonomy of the European Union

● Introduction

In its Communication of 8 March 2018, the European Commission published its "Action Plan: Financing sustainable growth", with which it launches an ambitious and comprehensive strategy to make finance a key driver in moving towards an economy that ensures compliance with the objectives of the Paris Agreement and the European Union's (EU) 2030 Agenda for Sustainable Development.

In this context, the package of measures presented defines 10 concrete actions that have as one of their main objectives to redirect capital flows towards sustainable investments. As a consequence of the first of these actions, the Taxonomy Regulation, Regulation (EU) 2020/852, has been published, which aims to establish a classification system that, based on objective criteria, determines which economic activities are sustainable.

As indicated in article 8 of the Taxonomy of Sustainable Finance Regulation, for reports published from 1 January 2022 onwards on information for the 2021 financial year, non-financial companies that are public interest entities and have a number of employees exceeding 500 (as is the case of CAF Group), must disclose the proportion of eligible and non-eligible economic activities according to the Taxonomy in their total turnover, their investments in fixed assets (CapEx) and their operating expenses (OpEx), hereinafter KPIs (article 10.2 of the [delegated act](#) supplementing article 8 of the Taxonomy Regulation). So far the EU has published the Delegated Acts on climate change mitigation and climate change adaptation, which are the ones on which eligibility must be reported for this first year. An activity is eligible if it is included among the activities listed in those Delegated Acts.

Disclosure requirements for the 2022 financial year will be increased, not only for reporting on Climate Change eligibility, but also for reporting on alignment. An activity is considered aligned if it is eligible, and:

- They meet the criteria for substantial contribution to climate criteria (mitigation and adaptation),
- They do not cause significant harm to the other objectives (water protection, circular economy, pollution prevention and biodiversity),
- Meet minimum social guarantees

● Scope of the report

All the companies that make up CAF Group's consolidation scope have been considered in the analysis carried out to establish the eligible activities under the European Commission's Taxonomy criteria.

● Results

Below, we detail the eligibility and ineligibility of our activities, as well as an explanation of our results and our calculations.

In relation to the environmental objective "Climate Change Mitigation" the Turnover indicator shows 99.82% eligibility, the Opex indicator amounts to 99.80% eligibility and the Capex indicator amounts to 99.94% eligibility. This demonstrates the high degree of eligible activities that CAF Group has and, consequently, that CAF Group is a key player in driving the transition to a decarbonised economy.

Regarding the environmental objective "Adaptation to Climate Change" the Turnover indicator shows 81.67% of eligibility, the Opex indicator amounts to 84.55% and the Capex indicator amounts to 83.05% of eligibility.

	Climate Change Mitigation			Adaptation to Climate Change		
	Turnover (%)	OPEX (%)	CAPEX ⁹ (%)	Turnover (%)	OPEX (%)	CAPEX ⁹ (%)
A. Eligible activities according to the Taxonomy						
<i>Total eligible activities according to taxonomy</i>	99.82%	99.80%	99.94%	81.67%	84.55%	83.05%
B. Non-eligible activities according to the Taxonomy						
<i>Total non-eligible activities according to taxonomy</i>	0.18%	0.20%	0.06%	18.33%	15.45%	16.95%

Description of eligible and non-eligible activities

From the analysis carried out, it is established that according to the Delegated Regulation (EU) 2020/852, the eligible activities within CAF Group are the following:

CAF Group Activity	Taxonomy Activity	
	Climate Change Mitigation	Adaptation to Climate Change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport	3.3 Manufacture of low-carbon technologies for transport, where the technology is as defined in the Taxonomy.
Lease services	6.1 Passenger interurban rail transport	
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport	
Data-driven digital solutions for efficient performance and sustainable mobility	8.2 Data-driven solutions for GHG emissions reductions	Does not apply

Description indicators

Turnover: The turnover ratio referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Specifically, in the case of the CAF Group, the denominator corresponds to the net turnover of the Consolidated Financial Statements for 2021.

The numerator corresponds to the net turnover of the Consolidated Financial Statements of the activities we have considered as eligible in the Taxonomy.

For the Climate Change Mitigation objective, the table below shows the activities that CAF carries out and the activities included in the taxonomy that have been considered.

⁹Additions in CAPEX linked to business combinations are not included in the figures shown. If we consider these figures, in 2021, the eligible activities based on the CAPEX indicator and under the environmental objective "Mitigation of climate change" would be 78.77%, and the eligible activities based on the CAPEX indicator and under the environmental objective "Adaptation to climate change" would be 65.46%.

CAF Group Activity	Mitigation of Climate Change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	<p>3.3 Manufacture of low-carbon technologies for transport</p> <p>As explained in the description of this activity in Annex 1 of the Climate Delegated Act, this includes not only manufacturing, but also repair, maintenance, refurbishment and modernisation.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities.</p>
Lease services	<p>6.1 Passenger interurban rail transport</p> <p>As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the acquisition, financing, rental, leasing and operation of passenger transport using railway equipment on long-distance networks, spread over a wide geographical area, of inter-city rail passenger transport and the operation of sleeping or restaurant cars as an operation carried out by the railway companies themselves.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.</p>
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	<p>6.14 Infrastructure for rail transport</p> <p>As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the construction, upgrading, operation and maintenance of surface and underground railways, bridges and tunnels, stations, terminals, railway service facilities, safety and traffic management systems, including the provision of architectural, engineering, draughting, building inspection, surveying and mapping services, as well as services performing physical, chemical and other analytical testing of all types of materials and products.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.</p>
Data-driven digital solutions for efficient performance and sustainable mobility	<p>8.2 Data-driven solutions for GHG emissions reductions</p> <p>As explained in the description of this activity in Annex 1 of the Delegated Climate Act, it is defined as the development or use of ICT solutions for the collection, transmission, storage, modelling and use of data, where these activities are primarily aimed at providing data and analysis to reduce GHG emissions.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities.</p>

For the Climate Change Adaptation objective, the table below shows the activities that CAF carries out and the activities included in the taxonomy that have been considered. For the activity "3.3. Manufacture of low-carbon technologies for transport" in addition to the type of activity, a project-by-project analysis has been carried out identifying the associated technologies.

CAF Group Activity	Adaptation to Climate change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	<p>3.3 Manufacture of low-carbon technologies for transport</p> <p>As explained in the description of this activity in Annex 2 of the Climate Delegated Act, it is defined as the manufacture, repair, maintenance, refurbishment, conversion and modernisation of vehicles, rolling stock and low-carbon transport vessels, where the technology is:</p> <ul style="list-style-type: none"> – Trains, passenger coaches and freight wagons that have zero direct CO₂ emissions (exhaust emissions); – Trains, passenger coaches and freight wagons that have zero direct CO₂ emissions (exhaust emissions) when running on a track with the necessary infrastructure, and use a conventional engine when such infrastructure is not available (bimode); – Urban and suburban passenger land transport devices with zero direct CO₂ emissions (exhaust emissions); – Until 31 December 2025, vehicles classified in categories M2 and M389 with a body type classified as "CA" (single-deck vehicle), "CB" (double-deck vehicle), "CC" (single-deck articulated vehicle) or "CD" (double-deck articulated vehicle), and which comply with the latest Euro VI standard. <p>The CAF Group has carried out a project-by-project analysis identifying the technologies associated with the aforementioned activities.</p>
Lease services	<p>6.1 Passenger interurban rail transport</p> <p>As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the acquisition, financing, rental, leasing and operation of passenger transport using railway equipment on long-distance networks, spread over a wide geographical area, of inter-city rail passenger transport and the operation of sleeping or restaurant cars as an operation carried out by the railway companies themselves.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.</p>
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	<p>6.14 Infrastructure for rail transport</p> <p>As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the construction, upgrading, operation and maintenance of surface and underground railways, bridges and tunnels, stations, terminals, railway service facilities, safety and traffic management systems, including the provision of architectural, engineering, draughting, building inspection, surveying and mapping services, as well as services performing physical, chemical and other analytical testing of all types of materials and products.</p> <p>The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.</p>
Data-driven digital solutions for efficient performance and sustainable mobility	<p>Does not apply</p>

OPEX: The OpEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the latter includes non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of tangible fixed assets, by the company or a third party to whom activities are outsourced, and which are necessary to ensure the continuous and efficient operation of those assets.

Specifically, for the CAF Group, the denominator corresponds to the 2021 consolidated operating expense accounts associated with R&D, short-term leases, and maintenance and repairs. The numerator corresponds to R&D expenditures, and the amount of the short-term leases and maintenance and repairs expense accounts associated with the activities we have considered as eligible in the Taxonomy.

CAPEX: The CapEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the denominator is the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any revaluations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator shall also include additions to tangible and intangible assets resulting from business combinations.

Specifically, in the case of CAF Group, the denominator corresponds to the total additions to cost in 2021 of tangible fixed assets and intangible fixed assets reflected in the movement of fixed assets in the Consolidated Financial Statements. The numerator corresponds to the amount of additions to cost in tangible fixed assets and intangible fixed assets of the activities we have considered as eligible in the Taxonomy.

1.7 External ESG ratings

CAF aims to improve its ESG rating, supported by the deployment of its Sustainability Policy and the Group's Management Model. The main external evaluations of CAF Group in this area in force at the end of 2021 are set out below.

Agency	Scope	Qualification	Evolution
Ecovadis	CAF, S.A.	Gold	Improved
Ecovadis	CAF Group	Silver	Improved
Sustainalytics	CAF Group	Low risk	Improved
MSCI	CAF Group	BBB	Not updated in 2021
S&Ps	CAF Group	56/100	Improved

2

GOOD CORPORATE GOVERNANCE

" Follow the best and most recognised practices of Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability in general and in particular the practices described in the CAF Group Code of Conduct, as well as in the Code of Good Governance of the Spanish National Securities Market Commission (CNMV), in the Guidelines of the Organisation for Economic Cooperation and Development (OECD), in the United Nations Global Compact, and others."

*CAF Sustainability Policy
17 December 2020*

2.1

Good Governance System

2.2

Risk management

2.3

Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for Competition Law

2.4

Fiscal responsibility

2.1 Good Governance System

[102-16, 102-17, 102-18, 102-22, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-33, 102-35, 102-37]

The CAF Group carries on its activity mindful of the importance of appropriate and transparent management as an essential factor for generating value, enhancing economic efficiency and strengthening the trust of its shareholders and investors, which is implemented through a Corporate Governance System based on the principle of “Good Corporate Governance”.

This Group's Corporate Governance System is based on the commitment to ethical principles, best practices and transparency, built around protection of corporate interests and the creation of sustainable value for CAF stakeholders. At the same time, the system provides for the implementation of these principles and best practices across the CAF Group's entire internal regulatory system, as described elsewhere in this report.

The CAF Group's Corporate Governance System comprises a set of principles and rules that regulate the design, integration and operation of the governing bodies and their relationship with the company's stakeholders.

In relation to the governing bodies, their definition and composition in light of this regulatory framework makes the following distinctions: (i) the corporate governance bodies (Annual General Meeting and Board of Directors of the CAF Group parent company) that adopt the decisions incumbent on the highest level of governance and decision-making bodies; and (ii) the management bodies (the Management Team as a whole) that are entrusted with the ordinary management of the Company, which, in any case, must abide by the general policies and strategies established by the Board of Directors.

This provides for the adoption and maintenance of an internal regulatory system in which ethics and sustainability govern and underpin all Group activity, aimed at achieving business objectives and complying with legal obligations as well as the implementation of widely recognised best practices.

To this end, CAF takes into account the relevant national and international benchmark principles and best practices, integrating them into its activities, at the internal regulatory level through its regulatory framework, at the organic level through the composition and distribution of functions of the governing bodies, and at the operational level through their integration into systems and processes.

As an example of CAF's commitment to the best and most widely recognised corporate governance practices, we highlight the degree of compliance of CAF S.A., in its capacity as the listed parent company, with the recommendations of the CNMV code of good governance for listed companies (“CBG”), revised in June 2020.

Recommendation	Complies	Complies partially	Explanation	Not applicable
1 – Statutory limitations	✓			
2 – Listing of companies integrated in groups				✓
3 – Information to the board on the most relevant aspects of corporate governance	✓			
4 – Policy on communication and contacts	✓			
5 – No issues with exclusion of pre-emptive subscription rights for an amount greater than 20% share capital	✓			
6 – Publication on the website of reports for the board	✓			
7 – Live webcast of AGMs	✓			
8 – Annual accounts without limitations or caveats	✓			
9 – Publication on the website of requirements and procedures to attend AGMs and exercise voting rights	✓			
10 – Shareholder proposals to complete the agenda or new proposals				✓

11 – Policy on attendance premium payments		✓
12 – Social interest	✓	
13 – Appropriate size	✓	
14 – Selection policy	✓	
15 – Majority of proprietary and independent directors	✓	
16 – Proportion between proprietary and non-executive directors	✓	
17 – Half independent directors	✓	
18 – Information about directors on the website	✓	
19 – Explanations about proprietary appointments by shareholders < 3%		✓
20 – Resignation of proprietary directors on disposal of ownership interest	✓	
21 – Non-dismissal of independent directors before the end of the mandate	✓	
22 – Information on indictments and trials	✓	
23 – Opposition to proposals contrary to the corporate interest	✓	
24 – Explanation of the reasons for dismissal before the end of the mandate	✓	
25 – Sufficient availability and max. no. of directors	✓	
26 – At least 8 meetings a year	✓	
27 - Absences	✓	
28 – Record of unresolved issues in the minutes	✓	
29 – Advice to directors	✓	
30 – Knowledge refresher programmes	✓	
31 – Clear agenda on points for decision	✓	
32 – Information on changes in shareholding and opinions of shareholders and others	✓	
33 – Chairman's duties	✓	
34 – Additional powers of coordinating director	✓	
35 – Secretary applies good governance recommendations	✓	
36 – Board evaluation	✓	
37 – Executive committee structure similar to the board and has the same secretary		✓
38 – The board is aware of matters dealt with and decisions adopted by the executive committee		✓
39 – Audit committee members with expertise in the matter and majority independent	✓	
40 – Existence of internal audit	✓	
41 – Audit committee is aware of the work plan and incidents detected by the internal audit	✓	
42 – Additional audit committee functions	✓	
43 – Audit committee can summon any employee or manager	✓	
44 – Audit committee has information on structural or corporate changes	✓	
45 – Content of risk control and management policy	✓	
46 – Existence of risk control and management function	✓	
47 – Members of the nomination and remuneration committee with expertise in the matter and majority independent	✓	
48 – Separate nomination and remuneration committees		✓
49 – Nomination committee consults the chairman on matters related to executive directors and senior managers	✓	
50 – Additional functions of remuneration committee	✓	

51 – Remuneration committee consults the chairman on matters related to executive directors and senior managers	✓		
52 – Supervision and control committees have rules consistent with all other mandatory committees	✓		
53 – Supervision of compliance with corporate governance rules, internal codes of conduct and Sustainability policy	✓		
54 – Minimum Sustainability policy content	✓		
55 – Information on Sustainability in management report or special report	✓		
56 – Adequate remuneration that does not compromise the independence of non-executives	✓		
57 – Variable remuneration only for executives	✓		
58 – Remuneration policy ensures that variable remuneration is linked to professional performance and not to general market trends	✓		
59 – Deferral of variable remuneration	✓		
60 – Results-based remuneration takes into account the auditor's caveats			✓
61 – % Significant variable remuneration of executives in shares or financial instruments		✓	
62 – Limits to the transfer of shares or exercise of options linked to remuneration			✓
63 – Existence of clawback clauses	✓		
64 – Payment for termination of contract not exceeding 2 years of total remuneration and deferred payment	✓		

As reflected in the CNMV dossier on the corporate governance reports of entities issuing securities admitted to trading on regulated markets for the year 2020 (latest year available), CAF is among the 40 companies (32% of the total sample) that followed more than 90% of the recommendations (only one company declared a higher degree of compliance), therefore exceeding the average compliance with recommendations by the entire sample, which was 83.7%.

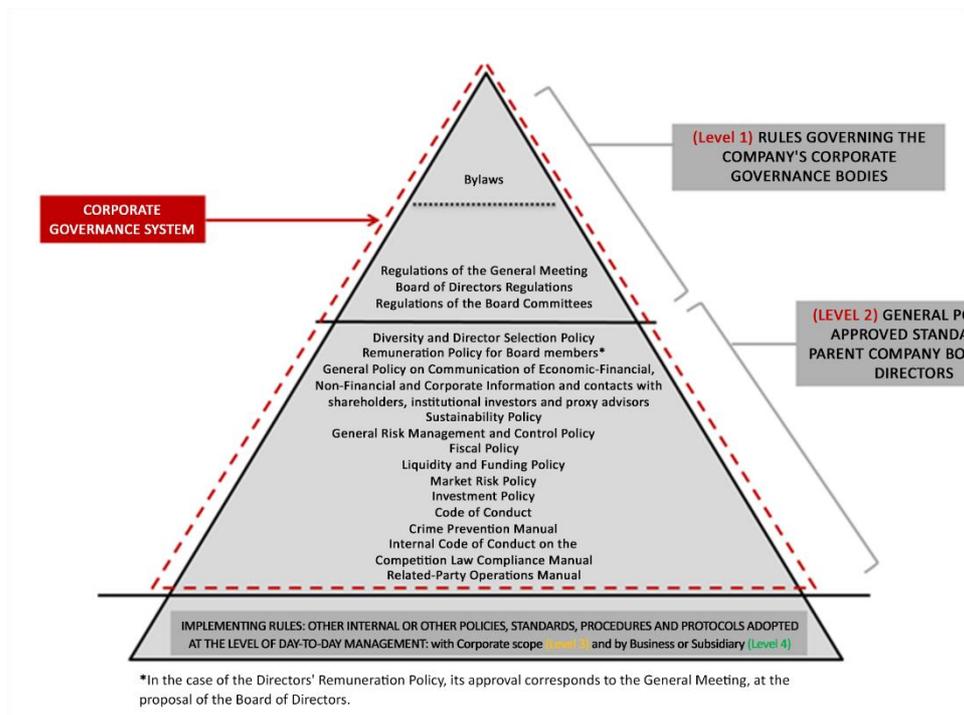
In accordance with the provisions of Article 540 of the Capital Companies Act, the Company publishes an annual corporate governance report which, approved by its Board of Directors, provides information about its ownership structure, organisation structure, related-party transactions, risk control systems, internal control and risk management systems in relation to the financial reporting process (ICFR), degree of compliance with corporate governance recommendations, and other information of interest.

The CAF Annual Corporate Governance Report forms part of the Management Report and is available on the CNMV website and the Company's own website from the date on which the latest consolidated financial statements are published.

● Regulatory Framework for Corporate Governance

General regulatory framework

The general regulatory framework for corporate governance comprises the Internal Regulatory System, divided into four hierarchical levels of standards: (i) those that regulate the composition and operation of the corporate governance bodies, i.e. the Annual General Meeting and the Board of Directors of the parent company (Level 1), (ii) the general policies and specific standards that apply to the entire CAF Group, which are approved by the Board of Directors of the parent company (Level 2; these first two levels make up the "Corporate Governance System"); and (iii) the implementation standards which, at the ordinary management level and in accordance with the previous standards, may in turn be approved by the Management Team to ensure the effectiveness and integration of the good governance standards into the Group's systems and processes, and which may have a corporate scope (Level 3) and also be implemented by different activities or subsidiaries (Level 4).



At both at the strategic and ordinary management levels, the CAF governing bodies apply and, where appropriate, develop the standards of the Internal Regulatory System at their respective levels, informing and raising awareness among the Group's various stakeholders through communication initiatives and regular training.

They also strive to adapt and update the corporate governance system as soon as possible to new legislation and the good practice codes and guidelines for listed companies which regulatory and supervisory bodies periodically publish.

The standards that regulate CAF corporate governance bodies and general policies are available to the general public on the corporate website, where they are regularly updated in line with the applicable regulations.

Effectiveness and application of the Corporate Governance System

The Sustainability Policy approved at Group level defines objectives, operating principles and commitments that effectively translate into tangible and verifiable compliance with Good Corporate Governance standards.

Aimed at achieving these objectives, CAF has established preventive measures to ensure strict compliance with the legal system in force in the territories in which CAF carries out its activities.

In accordance with the commitment to maintain a Corporate Governance System aligned with the latest legal and regulatory changes, in 2021 CAF modified the regulatory standards of its corporate bodies, primarily to adapt them to the amended Capital Companies Act as a result of Law 5/2021, of 12 April, regarding the promotion of long-term involvement of shareholders in listed companies ("Law 5/2021") which regulates remote attendance, therefore allowing annual general meetings to be held entirely online, and introduces other important changes regarding the identification of shareholders and the exercise of their voting rights, the remuneration of directors, and the system for approving and publishing related-party transactions, among other matters. Specifically, the following standards were updated during the course of the year:

Standard	Date amended
Bylaws	5 June 2021
Annual General Meeting Regulations	5 June 2021
Board of Directors Regulations	16 December 2021
Audit Committee Regulations	16 December 2021
Nomination and Remuneration Committee Regulations	16 December 2021

The updated texts of these standards are available on the corporate website.

The Group also developed and updated the corporate internal standards (Level 2) in 2021. Specifically, at its meeting of 16 December 2021, and within the framework of the above legal reform, the Board of Directors approved the CAF Group Related-Party Transactions Manual setting out the basic management rules for these operations in the Group, including their identification, analysis, approval, publication, monitoring and control. At the same meeting the Board also revised the CAF Group Crime Prevention Manual, as explained in Section 2.3 below.

In addition, it is important to note the progress made in 2021 in relation to the deployment of the Code of Conduct standards through the development and reinforcement of the Criminal and Business Ethics Compliance and Competition Law Compliance systems, respectively, which are also described Section 2.3 of this report.

● Government Structure

The governance and administration of the Group and the parent company are entrusted to the Annual General Meeting and the Board of Directors.

In addition, the Company has two Board of Directors committees (Audit Committee and Nomination and Remuneration Committee).

● The Annual General Meeting

The Annual General Meeting (AGM) represents all the Company's shareholders and is the highest decision-making body for the matters that fall within its scope.

These include the approval of the Group's non-financial information statement as a separate item on the agenda.

The rules governing the organisation and operation of AGMs are contained in the Bylaws and the Annual General Meeting Regulations, which are available at all times on the corporate website.

In 2021 the Annual General Meeting was held entirely online, guaranteeing the attendance and voting rights of all shareholders, with the following key indicators:

Main indicators (2021 AGM)	
Share capital	10,318,505.75 €
Shares	34,280,750
Voting rights	34,280,750
Minimum number of shares to attend the AGM	1,000
Attendance quorum	78.17 %
Average percentage of votes in favour in the approval of resolutions	96.57 %
Approval percentage of the non-financial information statement	99.99%

● The Board of Directors and its Committees

The Board of Directors

Except for business that falls within the scope of the Annual General Meeting, the Board of Directors is the competent body for adopting resolutions on all kinds of matters pertaining to the corporate purpose. The Board acts as the Company's decision-making centre at a strategic level and therefore focuses its activity on providing general guidance and supervision, establishing general strategies and controlling the ordinary management delegated to the Management Team, notwithstanding the powers attributed to it by Law which cannot be delegated.

As specified below, the Committees not only exercise the powers legally entrusted to them but have other functions assigned in accordance with best corporate governance practices and recommendations.

The CAF Board of Directors is currently made up of eleven members, as described elsewhere in this report. This number of directors is considered adequate to ensure the due representation and the efficient operation of the Board, within the range provided for in the internal regulations.

The CAF Director Diversity and Selection Policy, which is specific and verifiable, is intended to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experience, age and gender of the Board members by following criteria that ensures adequate diversity among the members and the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.

It further aims to ensure that the Board of Directors and its Committees have a balanced composition that enriches decision-making and contributes a diversity of points of view, in full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees. This is achieved by using the Board's competencies matrix, which the Nomination and Remuneration Committee constantly updates.

Accordingly, the professional expertise of a candidate, based on their academic background or professional experience, or a combination of both, is taken into account to guarantee the presence of a diversity of specialist profiles on the Board of Directors who can offer contrasting perspectives and encourage multidisciplinary and constructive discussions regarding the decisions to adopt, and ultimately to enhance the performance of the Board as a whole.

The Board members have up-to-date knowledge of the Company at all times. Directors are also invited to follow knowledge refresher programmes when considered appropriate.

The members of the Committees are appointed from among the directors, taking into account the profiles best suited to the each Committee.

In particular, wherever possible the directors who form part of the Audit Committee all have the requisite knowledge of accounting, auditing and the management of financial, non-financial and business risks. Likewise, the designation of members of the Nomination and Remuneration Committee takes into account their knowledge and experience in areas such as corporate governance, human resources, the selection of directors and executives, and the design of policies and remuneration plans, in line with the provisions of the Regulations of each Committee.

All of this translates into a balanced Board composition, with a large majority of non-executive Directors (more than 80% in the current composition), an adequate proportion between proprietary and independent Directors (in line with CBG Recommendation 15), and at least one third made up of independent Directors (in line with CBG Recommendation 17).

It is also important to highlight that since 2020 the Company has had four female directors, representing 36.36% of the Board composition (above the minimum 30% required in 2021 and very close to the 40% that CBG Recommendation 15 defines as the 2022 target).

The main actions with an impact on the composition of the Board during 2021 were as follows:

- Separation of the Chairman of the Board and CEO positions and other changes: On 29 April 2021 the appointment of Javier Martínez Ojinaga as the new CEO was agreed with effect from 1 September 2021, with Andrés Arizkorreta remaining as non-executive Chairman of the Company. Meanwhile, Ane Agirre Romarate was appointed as the new coordinating director until the effective date of the separation of the Chairman and CEO positions;
- Changes in the composition of the Audit Committee: Likewise, on 29 April the Board agreed to cease Mr Javier Martínez Ojinaga as a member of the Audit Committee and appoint in his place the independent Director Mr Ignacio Camarero García as a new member of the committee; and
- Re-election, by resolution of the Annual General Meeting of 5 June, of Mr Julián Gracia Palacín as an independent Director for the statutory term of four years.

More than a third of independent directors

CBG Recommendation 17

More than 30% of women directors

CBG Recommendation 15

Accordingly, the composition of the Board of Directors of CAF, S.A. at the end of 2021 was as follows:

Name	Gender	Category	Position on the Board	Years on Board	Positions in Board Committees
Mr Andrés Arizkorreta García	M	Other External	Chairman	Over 6 years	-
Mr Javier Martínez Ojinaga	M	Executive	Executive Director	Over 6 years	-
Ms Marta Baztarrica Lizarbe	F	Executive	Director – Secretary of the Board	Over 6 years	-
Ms Carme Allo Pérez	F	Independent	Director	Between 3 and 6 years	Chairwoman of the Audit Committee
Ms Ane Agirre Romarate	F	Independent	Director	Between 3 and 6 years	Chairwoman of the Nomination and Remuneration Committee
Mr Julián Gracia Palacín	M	Independent	Director	Between 3 and 6 years	Member of the Nomination and Remuneration Committee
Mr Ignacio Camarero García	M	Independent	Director	Less than 3 years	Member of the Audit Committee
Mr Luis Miguel Arconada Echarri	M	Other External	Director	Over 6 years	Member of the Nomination and Remuneration Committee
Mr Juan José Arrieta Sudupe	M	Other External	Director	Over 6 years	Member of the Audit Committee
Ms Idoia Zenarrutzabeitia Beldarrain	F	Proprietary Director	Director	Less than 3 years	-
Mr Manuel Domínguez de la Maza	M	Proprietary Director	Director	Less than 3 years	-

In line with CBG Recommendation 18, the public information on directors containing greater detail, especially about their training and experience and their positions in other listed or unlisted companies, is constantly updated and available to the general public on the corporate website.

Remuneration of Directors

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

In line with this, CAF has considered it advisable to approve a remuneration policy that takes into account the remuneration applied by comparable companies, using them as a reference when setting directors' remuneration, and at the same time taking into consideration the Company's commitment to its stakeholders.

The remuneration of non-executive directors is set at a level that in no case compromises their independence of judgement.

In relation to executive directors, and as stated in the Directors' Remuneration Policy, the parameters chosen to determine, where appropriate, their variable remuneration, must be both economic-financial and non-financial (including customer satisfaction).

These parameters are predetermined and defined in advance, and their level of fulfilment is verified by the Board of Directors once the definitive figures obtained at year-end are known. Every attempt is also made to ensure an adequate balance between variable remuneration and fixed components, therefore offering an appropriate incentive without distorting its complementary nature with respect to the fixed amounts.

Payment of the variable items is deferred until it has been verified that the performance-related parameters have been fulfilled, therefore allowing the Board of Directors to adequately measure the degree of achievement of the objectives, and also ensuring that the Company can claim the refund of any variable remuneration that may have been paid on the basis of inaccurate information.

CAF considers that this procedure reduces exposure to excessive risks and that the remuneration mix represents a balance between fixed and variable items and meets the Company's long-term objectives, values and interests.

The Annual Report on Remuneration of CAF Directors available on the corporate website includes this information in greater detail, as well as other relevant information about the Company.

The Directors' Remuneration Policy applicable to the years 2021, 2022 and 2023 was approved by a majority of 72.10% at the Ordinary Annual General Meeting held on 13 June 2020.

The Annual Report on Remuneration of Directors for 2020, put to a consultative vote at the Ordinary Annual General Meeting held on 5 June 2021, was approved by a majority of 70.67% of the votes of the shareholders present or represented.

Performance assessment of the Board of Directors and its Committees

In accordance with its Regulations, the Board of Directors must perform an annual assessment of its own operation and that of its Committees, and on the basis of its findings it must propose an action plan to correct any deficiencies found. To this end, the Board uses the reports prepared by the Committees relating to their own assessment and, in the case of the Nomination and Remuneration Committee, the report relating to the Board assessment. In line with the mandate contained in CBG Recommendation 36, every three years this process must be carried out by an external consultant, whose independence is verified by the Nomination and Remuneration Committee.

The assessment process is designed to annually determine the degree of compliance with legal requirements, corporate governance guidelines and best practices, and the Internal Regulatory System related to the operation of the bodies examined, and to monitor the action plans drawn up each financial year. The results of these assessments lead to the definition of new improvement initiatives to help the Board and its Committees design and comply with the Corporate Governance System.

The Board of Directors issued a positive assessment of its own work and that of its members and Committees in 2021, and verified that all the action plans drawn up for the year have been satisfactorily fulfilled, therefore approving the corresponding reports.

Supervision of the Board of Directors in matters of Sustainability/ESG

As the Sustainability Policy sets out, the main objective of the CAF Group is to reconcile the development of its mission with the balanced satisfaction of stakeholders' needs and expectations for the creation of value in a sustainable and long-term manner.

This has been formalised through public agreements and adherence to external initiatives, gradually leading to better results and increasing transparency.

In accordance with the provisions of the CBG, through its Committees the Board supervises all material aspects related to sustainability/ESG, drawing up specific reports requested during the year and an annual report for the year, as described below.

In any case, the Internal Audit, Compliance, Risk, Sustainability and Corporate Governance functions are able to inform the highest governance body of any concerns within the framework of their individual reports.

Committees of the Board of Directors

Audit Committee

The Audit Committee is made up of three non-executive directors, two of whom are independent, including the committee chairwoman who was appointed on the basis of her knowledge and experience in accounting and auditing. For more details about the composition of the Audit Committee, see the section on the composition of the Board of Directors.

In the wake of the publication of the Technical Guide on Audit Committees Public Interest Entities by the Spanish National Securities Market Commission, in 2018 the Audit Committee Regulations were amended in line with those guidelines and to make other technical improvements.

In 2020 the Regulations were amended again to adapt the contents to the amended recommendations in the partial reform of the CBG in June of that year, and in particular to reinforce the Audit Committee's specialist knowledge of the supervision of financial and non-financial information and risk control.

They were further amended in 2021, mainly to accommodate the new regulations on related-party transactions and other changes included in the Capital Companies Act by virtue of Law 5/2021, and to include other technical improvements and perfect the wording.

Among its new functions, the Audit Committee now has to prepare a report on related-party transactions for approval by at the Annual General Meeting or by the Board of Directors, and supervise the internal procedure established by the Company for transactions whose approval has been delegated in accordance with the applicable regulations.

In relation to Internal Control Systems, the main functions include:

- Supervise and evaluate the preparation, presentation and completeness of the financial and non-financial information on the Company and, where appropriate, the Group, checking compliance with legal provisions, the appropriate definition of the scope of consolidation and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity;
- Supervise the effectiveness of the Company's internal control and in particular of the internal control of financial reporting (ICFR);

- Supervise and evaluate the financial and non-financial risk management and control systems related to the Company and, where appropriate, the Group, including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption;
- Supervise the Company's internal risk control and risk management function;
- In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice;
- Supervise compliance with the internal codes of conduct of the Company; and
- Establish and supervise a mechanism whereby staff and other people related to the Company and its Group, such as directors, shareholders, suppliers, contractors or subcontractors, can report irregularities of potential importance, including financial and accounting matters, or matters of any other nature related to the Company that may come to their attention within the Company or its Group.

For the Committee to be able to carry out its functions of supervising compliance with the internal codes of conduct and the whistle-blower channel, as well as the associated internal control systems, the Compliance Function reports annually to the Audit Committee about these matters.

In the same way, the Risk Function reports to the Audit Committee every six months on compliance with the Financial and Non-Financial Risk Control and Management System and the situation of the risk map and the main risks of projects underway.

In line with the above, the Committee periodically requires information on the management of Sustainability risks and receives an annual report on the application of the General Policy regarding the communication of economic-financial, non-financial and corporate information, as well as the communication with shareholders and investors, proxy advisors and other stakeholders.

The annual performance assessment of the Audit Committee carried out in 2021 yielded a positive result, confirming that it had discharged its functions properly.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is made up of three non-executive directors, two of whom are independent, including the chairwoman. For more details about the composition of the Nomination and Remuneration Committee, see the section on the composition of the Board of Directors.

In the wake of the publication of the Technical Guide on Nomination and Remuneration Committees by the Spanish National Securities Market Commission, in 2019 the Nomination and Remuneration Committee Regulations were amended in line with those guidelines and to make other technical improvements.

The Regulations were amended again in 2020, mainly to adapt them to the amended recommendations in the partial reform of the Code of Good Governance and to redefine the committee's sustainability and corporate governance functions.

Like the Audit Committee Regulations, the Nomination and Remuneration Committee Regulations were further amended in 2021 to adapt them to changes in the Capital Companies Act affecting directors' remuneration (Law 5/2021) and to introduce other technical improvements.

Among its new functions regarding appointments and remuneration, this Committee now has to do the following:

- Draw up a report for the Board of Directors recommending the set individual remuneration for each Director, in their capacity as such within the statutory framework and the remuneration policy and in accordance with their individual functions and responsibilities; and

- Draw up a report for the Board of Directors recommending the individual remuneration of each Director based on their performance of the executive functions assigned to them within the framework of the remuneration policy and in accordance with the provisions of their contract.

The main functions of the Nomination and Remuneration Committee in relation to Corporate Governance and Sustainability include:

- Supervise compliance with the Company's corporate governance rules and ensure that the corporate culture is aligned with the Company's purpose and values;
- Verify compliance with the Director Selection and Diversity Policy on an annual basis and report on it in the Annual Corporate Governance Report;
- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy to ensure that they fulfil the mission to promote the corporate interest and take into account, as applicable, the legitimate interests of the other stakeholders;
- Supervise the Company's environmental and social practices to ensure alignment with the established strategy and policy; and
- Supervise and evaluate the way in which relations with the various stakeholders are handled.

For the purposes of exercising its functions in relation to the Sustainability Policy and practices, this Committee receives an annual report on the matter from the Sustainability Function and analyses the contents. Based on the report for 2021, the Committee concluded that both the activities and the results indicate significant degrees of progress and positive levels of achievement in relation to sustainability, confirming that the Sustainability Policy is being properly deployed.

Likewise, in relation to the supervision and evaluation of the CAF corporate governance system and rules, the Committee receives an annual report from the Corporate Governance Function.

Based on the report for 2021, the Committee concluded that the evaluation of the Corporate Governance System must be considered favourable and positive and in accordance with the highest standards of corporate governance, therefore benefiting the corporate interest and stakeholder expectations, in line with the Company's strategy in this area.

2.2 Risk management

[102-15, 102-30]

CAF's Board of Directors approved and updated the General Risk Control and Management policies on 20 December 2016 and 12 November 2019, respectively, to create a comprehensive risk control and management system and ensure that the risks of all the Group's activities are managed effectively.

The implementation of the General Risk Control and Management Policy sets out the basic mechanisms and principles for adequate management with a level of risk that makes it possible to:

- Achieve the strategic objectives set by the CAF Group with a controlled volatility;
- Provide the utmost level of guarantees to shareholders;
- Protect the CAF Group's results and reputation;
- Defend the interests of its stakeholders; and
- Ensure business stability and financial strength in a sustained way over time.

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

A uniform risk management model is applied across the entire company and all for all risk types. It consists of the following activities:

1	Establishment of the risk management context for each activity by setting, inter alia, the level of risk the Group considers to be acceptable
2	Identification of the various risk types to which the Group is exposed, in line with the main risks detailed in the Policy
3	Analysis of the risks identified and their impact on the CAF Group as a whole: <ul style="list-style-type: none"> – Corporate Risks – Risks affecting the Group as a whole – Business Risks – Risks specifically affecting each activity/project, which vary in accordance with the particularities in each case
4	Risk assessment based on the level of risk that the Group considers acceptable (risk appetite)
5	The measures envisaged to address the risks
6	Regular monitoring and control of current and potential risks through the use of information and internal control systems

Additionally, there is a single catalogue of risks for the whole Group. This catalogue defines a first hierarchical level consisting of strategic, financial, legal, operational, corporate governance and compliance risks. These are subdivided into more specific risks within each of the categories. Each category or subcategory of risk clearly defines the level of risk, type of management (corporate or business) and the management measures envisaged.

The main risks related to sustainability, due to their intrinsic nature, are operational, corporate governance and compliance with Human Rights, people, the environment and the commission of crimes. For these risks, all actions must be lawful and adhere to the values and standards of conduct contained in the Code of Conduct and the principles and best practices contained in corporate policies, with a "zero tolerance" approach to the commission of unlawful acts and fraud.

Regarding the Code of Good Governance for Listed Companies, CAF complies with all the recommendations concerned with the "risk control and management function".

In 2021 CAF focused on the continued deployment of the uniform environmental risk methodology across the entire Group and the unification of the risk management dynamics in the area of occupational health and safety (OHS).

With regard to environmental risk management dynamics, progress was made on the unification of the single control framework, leading to the generation of synergies that have made it easier for

the different members of the Environmental Forum to share their best practices, therefore enriching the evaluations and general control framework.

In the field of OHS risk management, the single methodology criteria are being implement for all members of the OHS Forum.

2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for Competition Law

[102-16, 102-17, 412-2, MA 205, 205-2, 205-3, MA 206, 206-1, MA 415]

● Regulatory Compliance or Corporate Compliance System

The ethical principles that govern CAF's actions in the market are consistent with international standards, which is especially important in companies like CAF with global operations. The Regulatory Compliance or Corporate Compliance System comprises all the rules of the Internal Regulatory System, formal procedures and material actions that are intended to guarantee the CAF Group's actions in accordance with ethical principles and applicable legislation, and to prevent unethical or unlawful conduct, or conduct that contravenes the Internal Regulatory System, committed by the professionals within the organisation. The Code of Conduct is the essential rule and it is implemented through a specific system for each area managed directly by the Compliance Function (i.e. the Criminal Compliance and Business Ethics System and the Competition Law Compliance System, which are referred to in later sections of this report) and through the supervision of other areas managed by other managers.

For all these reasons, it may be concluded that CAF carries out its activities in accordance with ethical principles, with special emphasis on the prevention of fraud and corruption, scrupulous respect for the law, Human Rights, public freedoms and fundamental rights, the principles of equal treatment and non-discrimination, protection from the exploitation of child labour, and other principles contained in the Universal Declaration of Human Rights, in the OECD Guidelines for Multinational Companies and in the United Nations Global Compact on Human Rights, which CAF, S.A. has joined, and with full respect for the principles and laws on competition. These are priorities for CAF and therefore a fundamental aspect of its good governance and sustainability practices.

Code of Conduct

A good reputation is an essential intangible resource that favours a relationship of trust and value, both internally and externally, with all the agents with whom CAF interacts. This can only be achieved by fostering ethical conduct that promotes the relationship between the Group and the agents involved.

Drawn up in 2011, the CAF Code of Conduct sets out the general rules and principles of corporate governance and professional conduct applicable to all the Group's professionals and any other entity or party that collaborates or has a relationship with the Group. Furthermore, it serves as the basis for all other codes of conduct on specific matters that may be drawn up to supplement the Group code.

The Code of Conduct is built around three pillars (ethical structural principles, behavioural criteria for CAF professionals, and implementation mechanisms), which in turn translate into a set of specific mandatory regulations.

CAF Code of Conduct



The contents of the Code of Conduct are as follows:

Ethical structural principles	Behavioural criteria	Implementation mechanisms
<ul style="list-style-type: none"> - Scrupulous compliance with the law and Human Rights - Involvement of shareholders - Quality and excellence as our core pillar - The reputation and prestige of CAF as calling card - Protection and development of our human resources - Respect and commitment to the community and the environment - Confidentiality and transparency in all our relationships 	<ul style="list-style-type: none"> - Relations with shareholders that seek to maximise the creation of value and share true, complete and current information - Relations with customers based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interest - Relations with suppliers and other collaborators that consider the value of competitiveness and quality in their selection - Human resources that recruit and manage staff according to criteria of equality and integrity, encourage training and promote health and safety - Relations with public bodies, with scrupulous respect for legality and integrity, as well as compliance with all regulations on Competition Law - Relations with the community and the environment, whose bases have been defined in the environmental policy and with a commitment to improve the quality of life of the people in the communities - Operations in organised markets, underpinned by information transparency and control 	<ul style="list-style-type: none"> - Compliance Function as the delegated body responsible for advising on the adaptation of policies related to ethical behaviour and compliance with the Code of Conduct - Training related to the Code of Conduct in the annual training plan - Whistleblowing channel - Measures to be taken in case of violation of the Code of Conduct

The Code of Conduct is available on the CAF corporate website and has been disseminated to all employees through the Portal and internal corporate communication application. It is also made available to new recruits to the Group on a systematic basis.

● Criminal and Business Ethics Compliance System

In implementation of the Code of Conduct, a crime prevention programme was introduced, leading to the creation of the CAF Group Crime Prevention Manual. Approved in its initial version by the Board of Directors of CAF, S.A. on 29 April 2015, the manual takes into account the changes introduced at the time in the Criminal Code and is built around the corporate Code of Conduct.

Both documents are adapted to the local legislation in each country in which CAF has subsidiaries on the basis of the requirements, which vary from a mere adaptation in a specific case to the adoption of a complete local Compliance programme in other cases.

Successive improvements and extensions have enabled the development of the Group's current highly robust Corporate Criminal Compliance System.

Meanwhile, the Criminal Compliance risk matrix provides a complete catalogue at all times of offences that may be committed by legal entities, known as "significant offences". Effectively, these are the offences that to a greater or lesser extent may be related to the corporate purpose of the CAF Group and that consequently determine the actions which warrant greater attention from a crime prevention standpoint.

CAF Crime Prevention Manual



Of the above list, the following offences are specifically related to combating corruption and bribery: (i) corruption between individuals; (ii) bribery; (iii) corruption in international transactions; and (iv) influence peddling. Money laundering is also included in the catalogue of significant offences for the CAF Group.

The CAF Group's activities that warrant particular attention for the aforementioned purposes can be summarised as follows: (i) public calls for tender; (ii) performance of public and private contracts; and (iii) integrated projects.

The risks identified in the risk map are specifically managed: (i) through the implementation of the guidance policies and the introduction of controls and risk mitigation measures; (ii) by raising the awareness of all the individuals in the CAF Group to which the Criminal Compliance System applies through training and dissemination activities; (iii) by managing a whistleblowing channel that enables detection of behaviours that breach the Code of Conduct or the Crime Prevention Manual; and (iv) by adapting the corporate Criminal Compliance System to the CAF Group subsidiaries to ensure the implementation of the general guidelines across all the Group companies as well as compliance with local regulations in countries that require the establishment of specific guidelines in accordance with their own legislation.

In relation to the legal obligation to report on contributions to foundations and non-profit entities, in 2021, as in the previous period, the CAF Group did not make any significant contribution to such organisations¹⁰.

The CAF Group's Crime Prevention Manual and its appropriate updates define the guidance policies and controls that shall be observed to avoid the commission of the offences identified in the risk map.

The impacts arising from such risks are economic penalties and other more serious penalties in relation to the offences described above, in addition to damaging CAF's brand image or reputation. These impacts have a direct effect on corporate activities in the medium- to long-term.

There were no confirmed cases of corruption in 2021.

Regarding the management during 2021 of Compliance contingencies from previous years, as described in note 26 to the consolidated financial statements, CAF Brazil participates in a consortium in Brazil whose purpose is the execution of a contract for the construction of a new tram line and the supply of the fleet for the line, with CAF's scope in the consortium being mainly supplying vehicles and signalling.

Various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, the imposition of payments for damages, fines and penalties or the potential breach of contract by both the consortium and the customer are under analysis, mainly in relation to civil engineering work. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary company is appealing the imposition of this injunction while continuing its defence in the proceedings, currently in the initial phase.

In addition, in another administrative procedure initiated by the authorities of the State of Mato Grosso in relation to this project, in the second half of 2021, the administrative body fined the Consortium and its members R\$ 96,170,604.55 (the subsidiary holds a 36.8% stake in the Consortium, which in the event of proportional distribution would be equivalent to approximately 5.6 million euros) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed the administrative sanction, which is in its initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to contract in Brazil. Also in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing

¹⁰ Contributions to foundations and non-profit organisations are less than 1% of CAF Group sales.

consequences. The subsidiary is also looking into the potential involvement of any of the subsidiary's employees in alleged corrupt practices.

The management of Competition and Labour Law contingencies in 2021 are described elsewhere in this report.

For its part, the guidance policies are protocols or procedures to be followed that are established by the CAF Group to prevent the commission of criminal conduct in the performance of risk activities.

To this end, both the legal representatives and professionals of the CAF Group, as well as the third parties that contract with CAF Group companies, are required to observe the General Principles of the CAF Code of Conduct.

The General Principles of the CAF Code of Conduct are mandatory rules of conduct and ethical standards based on a scrupulous respect for the law, Human Rights, public freedoms and Fundamental Rights, the principles of equal treatment and non-discrimination, protection from the exploitation of child labour, and any other principles contained in the Universal Declaration of Human Rights and in the United Nations Global Compact on Human Rights, labour and environmental rights, and fighting corruption.

The Crime Prevention Manual has been expanded to include the Due Diligence Manual for Contracting with Third Parties, which defines the minimum due diligence mechanisms that CAF Group professionals must apply in advance and systematically to assess the Compliance aptitude of Third Parties (i.e. Business Partners, Commercial Consultants and Suppliers) who contract with a CAF Group company, and which must be interpreted in conjunction with the CAF Group's Competition Law Compliance Manual and any implementing regulations.

All third parties that contract with the CAF Group have therefore previously been assessed in line with this procedure because the CAF Group can only contract with third parties that pass the compliance assessment.

Consequently, 100% of the Third Parties with which the CAF Group contracts are previously evaluated in accordance with the procedure described, since the CAF Group can only contract with Third Parties that obtain a favourable evaluation as "suitable" at the Compliance level. Furthermore, the CAF Group's culture of compliance has evolved favourably and with significant backing, as shown for example by the annual figures for internal enquiries about Business Ethics and Criminal Compliance:

	2021	2020	2019	2018	2017
Number of enquiries	107	80	41	33	19

For Due Diligence in Human Rights matters, see the corresponding section in this report.

Dissemination and Training in Criminal Compliance and Business Ethics

The CAF Group's corporate internal communication application, which can be accessed from any device at any time, has a specific section on Compliance that gives all CAF Group employees access, in a single common place, to the most important rules and working documents on Criminal Compliance and Business Ethics, Competition Law Compliance and Market Abuse, distinguishing between the corporate area and specific countries.

The Compliance documents are translated systematically into the languages in use at corporate level and, on occasion, to other additional languages of companies in which the CAF Group operates, including, inter alia: Spanish, Basque, English, Polish, French, Brazilian Portuguese, Swedish, Italian, Romanian or German.

With regard to training activities that began in 2016, the actions aimed to raise awareness, disseminate and implement the Manual on Crime Prevention among the CAF Group staff continued during 2021.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 98% of the employees included in the training plan in this connection completed it. Since the start of the programme, more than 6,300 people have received training (more than 5,600 people in 2020). More than 700 people received training in 2021. Similarly, there is a system in place for training new employees, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are constantly revised and updated.

In addition, 100% of the CAF Group's activity partners, in all the regions in which the Group operates, are informed of the existence and mandatory nature of their compliance with the General Principles of the CAF Code of Conduct.

International adaptation of the Criminal Compliance and Business Ethics System

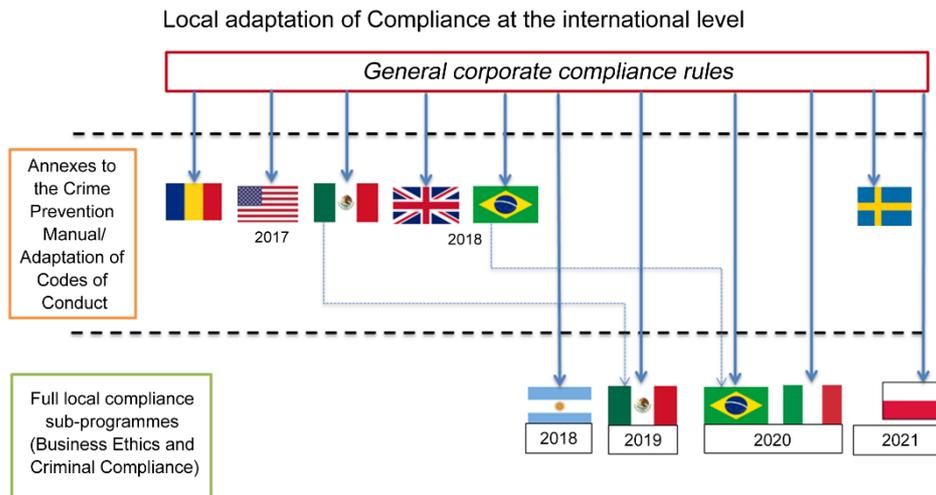
The CAF Group's Crime Prevention Manual is binding for all the Group's Spanish and international subsidiaries, and shall also be adapted to the particular features and requirements of the legislation applicable to the international subsidiaries. As a result and as indicated above, the manuals receive basic adaptation for all the foreign subsidiaries and more detailed adaptation based on the needs identified.

The international rightsizing of the CAF Group at 31 December 2021 resulted in 74 foreign subsidiaries in 38 countries across the five continents.

The basic adaptation of the Crime Prevention Manual in the different activities and subsidiaries of the CAF Group is carried out systematically whenever a new subsidiary is created and within the framework of the integration plan when an existing company which joins the CAF Group.

At the international level, crime prevention materials can be adapted for a specific country – and in certain cases for a specific subsidiary – by adapting the general corporate guidelines contained in the Crime Prevention Manual and by developing a Compliance sub-programme to set more specific guidelines, all of which will depend to a large extent on the existing legislation in the country in question and on the degree of flexibility provided by those regulations to maintain the common corporate model or not.

More specifically, in 2021 the following set of internationally implemented Criminal Compliance regulations were in place: 6 countries in which the general guidelines contained in the Crime Prevention Manual were adapted, and 5 countries that have their own complete Criminal Compliance sub-programme with specific guidelines.



Revision of the Crime Prevention Manual

We should also highlight that the Crime Prevention Manual is regularly revised and updated. More specifically, the manual was revised in 2016 and 2018, and then the 2018 version was revised in 2021 to adapt it to new legal developments in the criminal area as well as to make minor adjustments to improve its reception from a corporate point of view. Likewise, the structure of the Compliance Function has been adapted to incorporate changes in the best practices in this area. When any new version or development of the manual is approved, the appropriate dissemination and training measures are adopted.

Even so, the Crime Prevention Manual establishes that, whenever appropriate, the risks of committing the crimes referred to in the manual should be reassessed and the relevant internal risk map updated, and that this reassessment should in any take place at least every four years.

In 2021 the criminal risk map for each activity in the railway segment was amended and the complete reassessment of the criminal risk map entered a second phase consisting of revising the preventive controls. The third phase will address the technological deployment to manage these matters in line with the CAF Group's IT strategy.

● Competition Law Compliance System

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

To honour this commitment and effectively prevent the risks of regulatory non-compliance in matters of competition law, the Group has implemented a corporate Competition Law Compliance System.

The design and implementation of the Competition Law Compliance System took into account the criteria of the corporate risk control and management methodology and the existing harmonised regulations, resulting in the creation of a model similar to the Crime Prevention and Business Ethics model.

In 2019 the Board of Directors of CAF, S.A. approved the CAF Group Competition Law Compliance Manual, which establishes the premises and corporate scope of the Competition Law Compliance System.

Within the framework of this Competition Law Compliance System, in 2020 the CAF Compliance Function approved a corporate model procedure for competition inspections (known as dawn raids) to supplement the system, all of which represented significant progress in regulatory

Competition Law Manual



compliance at the corporate level. The Competition Manual was also supplemented with an evaluation procedure for consortiums with competitors, to be applied systematically if any business partners with which the CAF Group plans to contract are also competitors.

Regarding risk management in this area, the year 2021 saw completion of the first phase of the complete reassessment of the competition risk maps for each activity of the railway segment. The start of the second phase, which will consist in revising the preventive controls, will depend on any changes and the approach adopted for the part concerning Business Ethics and Criminal Compliance.

The main topics or specific contingencies in this area that were managed in 2021 are described below:

As described in note 26 to the consolidated financial statements, in March 2014, following completion of an administrative investigation process initiated in May 2013 into the participation of several rolling stock manufacturers, one of which is a subsidiary of the CAF Group in Brazil, in public tenders, the Brazilian Administrative Council for Economic Defence (CADE) initiated administrative proceedings arising from possible anti-competitive practices.

The subsidiary submitted its preliminary pleas and has cooperated on an ongoing basis with the authorities and provided them with the information requested. In July 2019 the CADE tribunal issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The subsidiary has appealed CADE's decision in court, following the completion of CADE's administrative process.

Also, as a result of the investigations carried out by CADE, other authorities, including the State Public Prosecutor's Office of Sao Paulo-MP/SP, initiated legal proceedings, either against CAF Brasil, CAF S.A. or any of its employees.

With regard to the penalty proceedings initiated in December 2017 by the Spanish National Markets and Competition Commission (CNMC), as of the date of this report the case concluded with notification of the resolution on 30 September 2021, bringing to a close the administrative route that has been the subject of a contentious-administrative appeal before the National High Court. The main aspects of the case and the resolution, which affect CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary allegedly joined the cartel initiated in 2002 by other entities, consisting of distribution agreements between the various companies involved. The subsidiary company was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) and received a fine of 1.7 million euros. CAF, S.A. is jointly and severally liable for payment of the fine based on the economic unit that makes up the parent company and subsidiary for the purposes of competition regulations. As part of this same case, two former directors of CAF Signalling were also fined. At the time of this report, CAF, S.A. and CAF Signalling have filed a contentious-administrative appeal against the CNMC resolution, requesting the precautionary suspension of payment of the fine until the National High Court rules on the merits of the matter. In addition to the above, CAF Signalling has also requested the suspension of the planned proceedings regarding a prohibition on contracting.

The CAF Group's culture of compliance in competition matters has been manifested by the awareness shown internally by professionals who face this problem, most notably in the way they assess potential consortiums with competitors and any interaction with them.

The internal enquires regarding Competition are shown below:

	2021	2020	2019	2018	2017
Number of enquiries	13	17	8	6	1

Dissemination and Training in Competition Law Compliance

Training related to the Competition Law Compliance Manual was carried out through the usual channels, starting with Senior Management and working down through all the other levels.

Specifically, the training consists of three online e-learning modules corresponding to the three corporate Competition Compliance standards mentioned above.

At the date of this report, 95% of the employees included in the Competition Compliance training plan had completed it. Since the start of the programme, more than 880 people have received training (more than 400 people in 2020). More than 460 people received training in 2021.

With regard to awareness raising measures, the CAF Group corporate communication app has a specific compliance section with a Competition sub-section that provides all employees with access, in a single common place, to the most relevant standards and models. The app also contains the forms and other work tools which the CAF Group provides for employees to help them carry out the mandatory competition controls properly.

● Compliance Function

The Compliance Function is the body of the CAF Group, with autonomous surveillance and control powers, which is entrusted with the supervision and operation of the Corporate Compliance System as a whole and the Criminal Compliance and Business Ethics System and the Competition Compliance System in particular.

The Compliance Function may have a single-person or collegiate composition (the latter was the case in 2021), and all its members and the other people who carry out compliance tasks in the CAF Group as part of their main occupations must have the necessary knowledge, skills and experience to perform the functions entrusted to them. In particular, they must have integrity, autonomy and independence to be able to exercise their Compliance Function powers and avoid possible conflicts of interests (the Compliance Function Operating Rules describe various safeguard mechanisms for such situations), and no member may remain in the position if any convictions for unethical or illegal behaviour are directly attributable to them.

The members of the Compliance Function are appointed, replaced and dismissed by the Board of Directors or by the Chief Executive Officer, and they report their activity to the CAF Board of Directors, either directly or through a report to the relevant Board Committee, depending on the nature, scope and content of the report.

In any case, the Compliance Function approves at least one activity report for the year as an annual report.

The Operating Rules contained in the Crime Prevention Manual constitute in themselves the basic Compliance Function Regulations, although the Compliance Function has the power to approve separate regulations (which must be revised if deemed appropriate) within the framework of the functions and powers conferred on it by the CAF Board of Directors.

The Compliance Function may also appoint Compliance Officers in CAF Group subsidiaries or branches located in jurisdictions where demanded by the local legislation, or where recommended due to the size or characteristics of the subsidiary or branch.

● Whistleblowing channel

The Crime Prevention Manual and the Competition Law Compliance Manual establish a general whistleblowing channel to report complaints, which is managed by the Compliance Function. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. If the complaint merits more attention, the documentation may be sent to the relevant department for the purpose of conducting a joint assessment of the facts and determining the measures to be taken.

The Compliance Function reports to the Board of Directors or the Audit Committee or General Management, depending on the circumstances and nature of the presumed infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel.



The CAF Group internal regulations establish the possibility of setting up other channels to receive complaints in jurisdictions where demanded by the local legislation.

The general whistleblowing channel is available at all times to all of the Company's stakeholders and any third party, allowing employees and others related to the Company, such as directors, shareholders, suppliers, contractors and subcontractors, to report potentially significant irregularities, whether financial or accounting irregularities, or irregularities of any other type related to the Company, which they may detect in any Group company.

The rules for the functioning of the aforementioned whistleblowing channel and the procedure for managing the offences or suspected offences that may have been disclosed are permanently available on the corporate website and encompass the verification of possible breaches of the CAF Group's Corporate Governance System in general and, in particular, (i) the CAF Group's Code of Conduct and any other breaches of internal rules or legislation regarding (ii) Crime Prevention, (iii) Competition Law, or (iv) Market Abuse and the handling of Insider Information.

The general whistleblowing channel accepts communications of all types and is always accessible through the Group's website in the main languages used at corporate level. The channel guarantees confidentiality and the aforementioned procedure envisages cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent. In particular, the aforementioned procedure reflects the CAF Group's commitment not to take any direct or indirect retaliatory measures against the professionals who have reported an irregular action that might be investigated, unless they have acted in bad faith. The Compliance Function also coordinates with the person responsible for receiving complaints through other special channels which affect CAF employees, such as those related to situations concerning discrimination, harassment, bullying or safety at work and which are mentioned in the relevant section of this report.

Throughout 2021, the complaints mailbox was checked daily and monthly checks were also carried out to ensure that it was working properly. During this time, no formal complaints were received through the general CAF whistleblowing channel, although:

- It was noted that a business partner was excluded from a consortium for not complying with the CAF compliance standards;
- Checks related to a supplier Compliance contingency were carried out; and
- Two preliminary investigations were carried out in relation to two projects, with the corresponding monitoring in each case.

Issues from previous years were also monitored.

In 2021, five complaints were received in the special workplace whistleblowing channels and were investigated internally. The relevant labour measures were applied in all cases, leading to disciplinary dismissals in two cases.

The breakdown and trends in complaints and internal investigations carried out in the CAF Group over the last three years are shown below:

	2021	2020	2019
General channel complaints	0	0	3
Internal investigations without prior complaint	3	2	0
Complaints in special whistleblowing channels	5	1	n/a

2.3 Fiscal responsibility

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

● Mission and Commitment in tax matters

The approval by the Board of Directors of a Corporate Tax Policy in 2017 enabled, inter alia, the principles that were already applicable internally to be expressly embodied and crystallised in the drawing up of CAF's tax objective and commitments; all of this was made accessible to all stakeholders through the publication of the aforementioned Policy on the corporate website, together with the other Corporate Policies.

A second element, designed to supplement the previous one, was the Tax Policy Implementation Handbook, approved on 4 December 2018 and updated in October 2020, which is published on the CAF Group's corporate website and is applicable to all the Group companies in all the countries in which the Group operates.

CAF's tax objective consists essentially of ensuring compliance with the tax legislation in force in each territory in which it operates, thus avoiding tax contingencies and fostering cooperation with the tax authorities.

CAF's ultimate objective is to build trust and distribute value in the domestic and international market through responsible action, particularly with regard to taxes; this objective also makes it possible to design a corporate strategy and ensure consistent tax behaviour throughout the organisation, which ultimately makes it possible to: (i) satisfy the stakeholders; (ii) maintain a relationship based on mutual trust with the tax authorities; and (iii) contribute to improving communities by paying taxes.

● Principles of action in tax matters

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

1. Comply at all times with its tax obligations, always endeavouring to comply with the deadlines set out by tax regulations, both for the payment of taxes and for other tax obligations. To this end, CAF will ensure the quality, veracity and security of the information and data, as well as the accuracy of its tax returns.
2. To collaborate at all times with the Tax Authorities, providing the information and documentation of tax importance requested by the competent tax authorities and other regulatory bodies, in a complete and truthful manner, and in the shortest possible time.
3. Avoid the use of opaque structures, processes or systems designed exclusively for tax purposes, or for the purpose of preventing the Tax Administrations from knowing who is ultimately responsible for the activities or the ultimate owner of the assets and rights.
4. Avoid investments or transactions in or through territories classified as tax havens under Spanish law, or territories with low or zero taxation, for the sole purpose of reducing the tax burden. Investments or operations in these territories will only be permitted when they respond to business reasons and are aimed at undertaking the activity included in CAF's corporate purpose, subject to prior approval by the Board of Directors in the cases provided for by law and regulations.
5. Commit to ensure that there is always a valid economic rationale for tax actions.
6. Prevent and reduce, as far as possible, tax risks in the course of its activities, while maintaining a prudent risk profile. In this framework, investments and operations that may represent a particular tax risk will be carefully assessed.
7. Ensure compliance at all times with the obligations relating to related party transactions, maintaining a responsible transfer pricing policy in accordance with the arm's length principle, thus avoiding the erosion of tax bases through non-arm's length pricing.

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8. Manage its intangible assets responsibly, avoiding the use and generation of intangible assets for purely tax purposes.

CAF's Tax Policy specifies that all the principles mentioned above will be implemented in accordance with CAF's general principles, specifically those relating to good faith and integrity vis-à-vis all stakeholders.



● Monitoring and control

It generally lies with the Audit Committee and, ultimately, the Board of Directors, to ensure that the whole of the CAF Group complies with the Tax Policy, to which end internal control mechanisms have been expressly established within the latter, in addition to flows of information from the Economic and Financial Department to the Audit Committee, and subsequently to the Board.

Tax risk is managed within the Comprehensive Risk Management and Control System and it is headed by the Corporate Tax Function, which controls and monitors the main corporate tax risks affecting all the activities and geographical areas.

The Corporate Tax Function reports the Group's tax performance to the Audit Committee on a regular basis and at least once a year.

Additionally, the Audit Committee and the Board of Directors must approve any Group investment transaction in countries considered to be tax havens, to ensure that the CAF Group's activities in those countries are strictly for business purposes.

● Stakeholder engagement and concerns management in tax matters

The Sustainability Policy approved by CAF's Board of Directors defines the Sustainability objective, principles and commitments to stakeholders that CAF adopts in the course of its activities. These principles specifically include tax responsibility.

The CAF Group has a cooperative relationship with the various tax authorities with which it has dealings as a result of its activity, based on the principles of transparency and good faith.

It thus promotes transparent, clear and responsible reporting of its main tax aggregates. The CAF Group is committed to preparing and filing the Country-by-Country Report in due time and form. These annual reports disclose key aspects of the financial statements for each of the jurisdictions in which the Group is present, and they provide the local tax authorities with visibility as to the earnings, tax paid, employees and other significant information regarding the business activities.

The tax commitments undertaken by the CAF Group in its Corporate Tax Policy with respect to compliance with its tax obligations in all the territories and jurisdictions in which it operates, where a prudent tax policy is always observed, also applies to its relationship with external tax policy advisers.

Country-by-country reporting

Below follows significant information regarding the earnings obtained on a country-by-country basis, and the income tax paid in the main locations in which the CAF Group operates:

	2021 (thousands of euros)		2020 (thousands of euros)	
	Profit (Loss) before tax ¹¹	Income tax paid (recovered) ¹²	Profit (Loss) before tax	Income tax paid (recovered)
Germany	2,822	430	3,658	1,553
Saudi Arabia	17,422	1,718	5,636	805
Australia	1,112	508	551	220
Brazil	25,632	6,703	23,809	3,806
Chile	2,401	(25)	90	(838)
Colombia	339	598	54	2
Spain	7,826	987	(98,377)	1,751
Israel	1,301	653	(139)	50
NAFTA ¹³	38,594	10,212	43,095	24,534
Poland	24,485	12,318	26,601	6,236
United Kingdom	5,031	86	225	238
Sweden	(7,312)	899	(5,646)	(854)
Other	2,127	1,639	1,483	770
Adjustments ¹⁴	8,052		48,037	
	129,832	36,726	49,077	38,273

Of note regarding the government grants received is the support of the public authorities for the Group's activity, particularly in terms of research, development and innovation activities, as indicated in the relevant section of the Directors' Report. The amount of the grants related to income recognised in the accompanying consolidated statement of profit or loss totalled EUR 5,238 thousand in 2021 (2020: EUR 5,366 thousand).

¹¹ Profit or loss before tax in each country, including additional consolidation adjustments to eliminate dividends and internal margins, among others.

¹² Tax payments in 2021 obtained from the consolidated statement of cash flows of the consolidated financial statements. These tax payments include payments on account of tax accrued in the year, as well as the settlement and adjustment of taxes accrued in previous years. Note 18 to the consolidated financial statements details the significant tax adjustments that determine the tax bases of each country, mainly the tax credits the Group maintains in Spain and the temporary adjustments to the tax base in Brazil and NAFTA due to accelerated depreciation.

¹³ This group includes countries in respect of which the related disclosures would involve revealing information that is protected by means of confidentiality clauses. With the current breakdown and that included in the individual and consolidated financial statements, investors and other stakeholders receive sufficient information to understand the Group's performance, results and situation and the impact of its activities.

¹⁴ Profit or loss of entities accounted for using the equity method with elimination of the provision of investees on consolidation.

3

RESPONSIBLE BUSINESS AND INNOVATION

“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 Sustainability Policy
17 December 2020

3.1

Quality and safety of products and services

3.2

Information security

3.3

Innovation and technology

3.4

Responsible and sustainable supply chain

3.1 Quality and safety of products and services

[MA 416, 416-1, 416-2, MA 417]

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

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

● Product and service quality

In accordance with the provisions of CAF's Sustainability Policy and Vision, the Group defined the Excellence in Quality Policy at corporate level to establish the basic principles that will enable us to meet the needs and expectations of customers by offering products and services that are of high quality, and that are safe, reliable and available. It is the responsibility of the Economic and Financial and Strategy Department (CFSO) to ensure compliance with this Policy, which is monitored and controlled every month by the Corporate Management Model Committee with the participation of the Group's Executive Committee, all of whom are responsible for the materialisation of this policy.

The main risks CAF faces should it not be able to fulfil the commitments acquired in this area are: (i) difficulty in establishing a trust-based relationship with its customers, (ii) breach of contract and possible customer claims, and (iii) customer dissatisfaction with both the product/service and with the development process thereof with CAF.

The impacts of these risks would ultimately lead to claims related to projects committed to customers, reputational damage to CAF's image and a fall in the number of orders in the future. These impacts will have a direct short-, medium- and long-term effect, respectively. The management of these risks is integrated into the corporate risk control and management system described in the chapter "2.2 Risk management".

Process quality management systems

CAF management also undertook to implement process quality management systems in our organisations to ensure complete customer orientation and maximise customer satisfaction and loyalty, balanced with the results obtained by other stakeholders. This management system is certified or accredited under various standards, including the quality standards listed below.

Certificate	Field	Scope	Outlook
ISO 9001	Quality Management	92% Group workforce	Unchanged
ISO TS 22163 (IRIS)	Railway applications — Quality management system	86% staff of the Railway activity (design and manufacturing)	Unchanged

The management model was rolled across the entire Group and the actual scope of the system in each field therefore exceeds the scope of the certificates. The model is adapted to local legislation, customer requirements or the specific nature of the activity.

In addition to the project audits carried out by the customer to guarantee that CAF complies with contractual requirements, every year CAF conducts internal audits in order to continuously improve the Management System and guarantee fulfilment of the requirements of the standards under which CAF is certified or accredited.

It should also 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 (customers), system integrators (competitors) and equipment manufacturers (suppliers). Established in September 2018, the IRQB aims to foster a global culture of quality throughout the

rail sector, 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 transport, rail and bus.

Communication with customers and guarantee of supply

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

CAF's contracts include numerous requirements related to meeting delivery deadlines, approval needs, manufacturing sourcing requirements, and other operational risks. Accordingly, once the project is awarded a multidisciplinary project team is formed, led by a manager, to execute the contract in line with the agreed quality, safety, cost and deadline, and also to maintain constant communication with the customer. This relationship makes it possible to anticipate the resolution of possible unforeseen events in an efficient and coordinated manner.

The specific communication channels with each customer are usually agreed at the beginning of the project or order. They typically include monthly reports, manager-level project follow-up meetings, and quarterly high-level project follow-up meetings. Additionally, the document management tool to be used for official project communications is agreed with the customer, as well as the approval flows and valid interlocutors (for example: Aconex, minutes of official meetings with the customer, project management plan, scorecard, project indicators, etc.).

The documentation provided to the customer in the project phase usually includes product safety manuals and documentation, accompanied by specific training on the correct use of the product.

In accordance with the "General policy for communication of economic-financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors", CAF uses annual satisfaction surveys with its customers to assess the efficiency of its communication channels, as described in the section "1.2 Value creation and Stakeholders". In 2021, as well as expanding the coverage of the survey, the result was positive and sustained over time. The objective is to consolidate this position and further expand the coverage of the survey.

Additionally, and exceptionally because of Covid-19, CAF reinforced its communication channels with customers. As shown in the 2021 survey, customers were satisfied with how this contingency was managed.

Customer complaint management

To meet customer expectations throughout the entire life cycle and ensure compliance with the applicable legal requirements, a proprietary quality and safety management system has been implemented, which includes the assessment of all of the Group's significant product and service categories. This system defines the customer claim and complaint procedures, which describe the mechanisms for following up on and resolving such claims and complaints, and for monitoring specific indicators.

CAF understands a customer complaint to be any formal complaint received from the customer about contractual aspects that cannot be classified as any of the following: (i) deviation report, (ii) pending points or customer cautions, (iii) deviations from customer audits, or (iv) quality lists shared with customers, with open points derived from product or process quality inspections.

Once the complaint is received, CAF follows the procedure for managing customer complaints, which comprises the following phases:



- Preliminary analysis or pre-diagnosis: A preliminary analysis of the complaint is carried out, initiating the complaint process and recording the initial information.
- Diagnosis and corrective actions: The complaint is shared with the technical team, who analyse and discuss the information received and then prepare the diagnosis, jointly defining the following aspects:
 - The need or not for immediate or remedial action. If needed, immediate/remedial actions are established with those responsible and deadlines.
 - The root-cause analysis of the complaint, using different problem-solving techniques such as the "5 Whys", "Ishikawa", 4D, 8D, etc.
 - The definition of corrective actions, establishing those responsible and deadlines.
- Final report and feedback to the customer: Once the analysis has been carried out, the complaint report is drawn up and sent with initial feedback to the customer by the agreed deadline.
- Follow-up and closure of the complaint: Active customer complaints (pending closure) are regularly monitored, as well as the status of immediate/remedial actions and corrective actions derived from them. Once all the actions of a complaint have been carried out, the complaint is formally closed and the Non-Conformity Report (NCR) is prepared.

To evaluate the correct implementation of this process, in addition to the previously mentioned customer satisfaction indicator, CAF also has a poor-quality cost indicator. Customer complaints form part of the poor-quality cost, among other aspects. The change in the aforementioned indicator was positive in 2017 to 2021 and in line with the targets set, as with the result of the customer satisfaction surveys mentioned in the introduction. All the measures of improvement in the management system indicate that the Group will continue to improve this indicator in the coming years.

Indicator	Measure	Scope	Change	Outlook
Non-Quality Costs	Internal	70% of sales	Positive. Above target	Scope extension Unchanged

Product and service safety

In accordance with the provisions of the Sustainability Policy, in 2020 the Group defined the Safety Policy, which is corporate in scope, with the aim of establishing the basic principles that enable us to offer safe products and services for users, customers and other stakeholders.

For these purposes, product and service safety is considered to be everything that relates to the physical safety of individuals using our products and services, as well as the IT security of our products, services and facilities. The scope therefore excludes everything related to occupational health and safety, for which there is a separate policy.

Since this policy addresses two different areas (Safety and Cybersecurity), two corporate manuals were defined in 2021, the first to deploy the principles regarding user safety and the second to deploy the cybersecurity principles.

Health and physical safety

This year the aforementioned Safety Policy Manual was defined to deploy the principles regarding user safety, approved by the Executive Committee and which contains more details about the policy to facilitate its deployment and implementation. The Group also defined and approved the safety governance model, which describes the roles and responsibilities regarding safety at both the corporate level and the individual level of each activity performed in the Group. CAF also appointed the Corporate Safety Manager and established the Corporate Safety Committee to

continuously improve the management and awareness of safety across the organisation and to comply with legal obligations and stakeholder needs and expectations.

The Technology Department is responsible for ensuring compliance with the Safety Policy. Failure to comply with the commitments regarding safety in the area in which CAF carries out its activities can have a direct impact on the health and physical safety of people. The risks that CAF faces in this area are, among others, and ordered by the time horizon of the impact: (i) stoppage of operations if a safety problem arises or is suspected, (ii) return of products and services suspected of not being safe, (iii) fines and/or lawsuits initiated by customers or other affected parties, and (iv) reputational damage impacting the Company's relationship with all the stakeholders. The management of these risks is integrated into the corporate risk control and management system described in the chapter "2.2 Risk management".

As stated in the Safety Policy, CAF's objective is to continuously promote and improve safety management to ensure compliance with legal and contractual obligations and to satisfy the needs and expectations of customers and other stakeholders.

The Group's organisations each have their own safety management system, although these are integrated into the Group's management system. All systems have undergone mandatory (and, more usually, voluntary) certification process that certify their solvency and compliance with the basic regulatory and legislative benchmarks on which they are based. Meanwhile, the Corporate Safety Committee ensures that synergies are harnessed to align the systems.

In general, therefore, the activities associated with the railway sector verify the conformity of their safety management systems with the EU 402/2013 and/or 779/2020 Regulations (and subsequent amendments), which refer respectively to the adoption of a common safety method for risk assessment and the mandatory certification of entities in charge of vehicle maintenance. Most of them comply with the provisions of the European reference standard on rail safety: EN 50126: 1999 (or its most recent version of 2017) "Railway Applications - Specification and Demonstration of Reliability, Availability, Maintainability and Safety (RAMS)".

Certificate	Field	Scope	Outlook
EU 779/2020 (Rail Europe)	Maintenance Safety Management	85% staff of the Railway activity	Unchanged
EU 402/2013 - EN 50126 (Rail)	Operational Safety Management	91% staff of the Railway activity (design and manufacturing)	Scope extension

It should be noted that it is also common for customers and/or relevant authorities to require the assessment of all projects prepared for the railway sector according to processes regulated either legally or in accordance with the relevant prescribed regulations. These project conformity assessments require the additional participation of independent bodies to judge the degree to which the safety management systems apply specifically to the development of each product (or provision of each service).

In the bus sector, products are subject to international legally established approval processes which on their own guarantee safety. Even so, these are supplemented by the Group's commitment to establish its own safety management system (currently in the process of development), which is also based on compliance with the ISO 26262 standard "Road Vehicles – Functional Safety".

The CAF policy also establishes a commitment to protect people from both physical and IT accidents and incidents originating with or relating to our products and services.

As the following indicators clearly show, the early identification of safety incidents proves that the implemented safety system guarantees compliance with the target of zero accidents. The safety incident indicator shows a stable trend in line with this target.

Health and physical safety indicators	Measure	Scope	Change	Outlook
Security incidents	Safety incidents without personal injury per year caused by our products/services	Group	Stable. In line with the objective.	Unchanged
Accidents	Accidents per year caused by our products/services, with bodily injuries	Group	0 accidents In line with the objective.	Unchanged

Any safety incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Lastly, it should be noted that CAF is a member of UNIFE's "Safety Assurance Mirror Group". This group contributes to the activities of the ERA in relation to the Railway Safety Directive (EU) 2016/798, which establishes provisions to ensure the development and improvement of the safety of the Union's rail system. It contributes to the development and application of the Common Safety Methods (CSM) and Entities in Charge of Maintenance (ECM) Regulations, as well as the activities of the ERA in Safety Culture and Human and Organisational Factors.

The Group also shares topics related to standardisation, such as railway safety standards EN50126, EN50128 and EN50129.

CAF is also a member of the CENELEC WG26 Forum, which aims to establish cybersecurity railway regulations based on IEC62443.

Product cybersecurity

Digital transformation is bringing substantial benefits in the efficiency and reliability of operations in the transport sector, as well as a better experience for passengers, but it is also inevitably increasing the vulnerability to cyber threats. Systems are increasingly based on networks (signalling, passenger information, control centre, etc.) that use standard communications (IP-based) and other digital technologies (sensors, etc.)

Likewise, the standards and regulations regarding cybersecurity, such as the European NIS directive and other technical specifications such as TS50701 (IEC62443) for the railway sector, or the new regulation R155/R156 for the automotive industry, require compliance with current legislation as well as the organisation's adaptation to market trends and requirements.

Consequently, and based on the principles established in the Safety Policy, CAF has established a product cybersecurity management model that is being deployed through a "master plan" to ensure that cybersecurity is integrated into the design, manufacturing, testing and maintenance of all our products and services.

3.2. Information security

[MA 418]

The information security management model is based on the recently approved Security and Safety Policy and the international standard ISO27001. In 2021 the Executive Committee defined and approved the "Cybersecurity Policy Development Manual", which explains the policy in greater detail to facilitate its deployment and implementation.

The Group also defined and approved the information security governance model, which describes the roles and responsibilities at both the corporate level and the individual level for each activity performed in the Group. A "Corporate Cybersecurity Manager" was also appointed and the Corporate Cybersecurity Committee was created. All of this greatly reinforces information security management and its continuous improvement, guaranteeing the deployment an information security culture across the entire organisation and establishing all the necessary organisational and technical measures to guarantee the confidentiality, completeness and availability of information.

The model is governed through the aforementioned cybersecurity committee, which among other things is responsible for implementing the policy through its development manual. A dashboard with measurement indicators was also created to ensure the monitoring, deployment and reporting of the status of information security at all times.

CAF adopts a zero-tolerance approach to security to guarantee compliance with legal and contractual obligations, in addition to satisfying the needs and expectations of our customers and other stakeholders.

CAF has an Information Security Management System based on and certified by the ISO27001 standard. The scope of the certificate and the future outlook are shown below:

Certificate	Field	Scope	Outlook
ISO 27001	Information security	32% Group workforce	Scope extension

Together with the Information Security Management System, the management model improves information security and privacy and establishes controls to identify, prevent, detect and respond to any information security incidents. All of this addresses the Group's digitisation process, the greatest existing threats and the increase in cyber attacks from outside the organisation.

Zero risk does not exist, which is why CAF continues to increase the necessary resources to deploy security measures that mitigate existing risks and reduce the possibility and impact of serious incidents. CAF does this by carrying out a risk analysis of its most significant assets and establishes an acceptable level of risk that maintains a balance between functionality and cybersecurity.

In 2021 the incident indicator remained positive.

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious cybersecurity incidents	Actual serious information security incidents per year (IT leaks or ransomware)	Group	0 actual serious incidents In line with the objective.	Unchanged

Any cybersecurity incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Information security breaches

One of the main objectives of the information security management model implemented at CAF is to reduce the probability and impact of potential security breaches. To meet this objective, the Group has defined a series of processes and procedures to manage security breaches, from prevention and detection to mitigation and recovery.

CAF periodically carries out technical audits of systems and applications to detect vulnerabilities, prevent the generation of security breaches and, consequently, mitigate the risks they generate. In addition to these technical audits, CAF has established a SOC (Security Operations Centre) to monitor cybersecurity events generated by systems and applications. This central unit manages and coordinates the monitoring and detection of possible security incidents, alerting the relevant managers and reducing response and management times.

CAF understands the need to promote a culture of information security as a key process for detecting and reducing the impact of security breaches, and it therefore regularly carries out training actions and awareness plans for employees.

Security of personal data

CAF has created and deployed a personal data protection policy to guarantee compliance with current legislation in all the territories in which it operates. This policy and the accompanying manual set out the organisational and technical measures necessary to guarantee the correct management of personal data processed by CAF staff and third parties that engage with any Group company.

The organisational measures adopted this year include the creation of a Privacy Compliance Committee aimed at ensuring the correct management and deployment of the policy and manual across the CAF Group. A Data Protection Officer (DPO) was also appointed to guide CAF on compliance with the applicable regulations, supervise general compliance with these regulations, advise employees, and cooperate with and act as a point of contact for the supervisory authority.

Each CAF company ensures correct compliance with local regulations on the protection of personal data. In any case, the CAF regulatory framework on data protection places special emphasis on European privacy regulations, specifically on Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/CE ("GDPR"). In recent years, the GDPR has become a worldwide benchmark for data protection, setting global standards and serving as the basis for the development of local privacy regulations worldwide.

In 2021 the Group introduced an indicator to measure the number of serious incidents related to data protection. The results of the indicator were positive, showing zero incidents.

CAF has established the necessary mechanisms to ensure coordination with the information security area in the event of information breaches affecting personal data.

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious incidents related to personal data protection	Actual serious security incidents related to the protection of personal data	Group	0 actual serious incidents First measurement	Unchanged

● Security of confidential and sensitive information

The information security management model establishes the guidelines for defining the necessary measures to manage confidential and sensitive information. In addition, the Group carries out a risk analysis of the organisation's most important assets, which could lead to the introduction of new security measures to reduce the probability and impact of a possible information leak.

As mentioned above, raising awareness and training CAF staff in information security is one of the commitments made in the policy. As part of this culture, staff are trained in the correct use of confidential and sensitive information, as well as in the measures to be taken to manage it.

3.3 Innovation and technology

In recent decades innovation has become a key process for CAF, enabling the Company to grow and supply products at the forefront of technology. This growth has occurred both by developing proprietary components for critical vehicle subsystems such as electric traction, energy storage systems and an electronic control and diagnostic system for trains, and by developing new products and services to complete a range of global transport systems that includes feasibility studies, civil works, electrification, signalling, maintenance and operation.

Aware that the key to innovation lies in knowledge and in the people who develop it, CAF remains committed to increasing internal technological development capabilities.

● Innovation in products and services

CAF attaches great importance to continuous innovation in its product and service offerings to respond to the global trend of increased mobility, the limitation of fossil fuels and climate change, which directly influence the sustainability of the transport sector.

This determination is materialised in activities to generate new knowledge and develop new technologies and products aimed at offering more advanced transport solutions, considering both the needs currently perceived as well as the global mega-trends and the visions of future passenger transport that will lead to more efficient, accessible and ecological solutions.

The CAF Group channels and coordinates its product and service innovation initiatives through its corporate innovation strategy. The innovation strategy is designed and reviewed annually following an established process that aligns the technological and product/service development activities with the Company's main strategic challenges identified by the management, aimed at developing sustainable solutions for our customers while simultaneously guaranteeing our competitiveness.

The key lines of action in the CAF Group's innovation strategy are:

- **Zero emissions:** This line of action encompasses activities aimed primarily at the development of alternative propulsion systems to diesel and the reduction of consumption and emissions of its products and services.
- **Connected and automated mobility:** This line of action is focused on the development of vehicles that operate in an automated manner and increase the safety and efficiency of transport systems.
- **Passengers and operator:** The aim of this line of action is to offer the market better products and services both for CAF customers and for the passengers who will travel in its vehicles and transport systems.
- **Competitiveness:** The activities in this line of action are aimed at reducing the life cycle cost of products and services and reducing delivery times.

The Group's innovation strategy is materialised in an annual innovation plan.

This plan consists of activities to generate the proprietary knowledge and technology that will allow the CAF Group to stand out from its competitors and supply products with high added value in sustainable mobility.

Within the variety of activities and lines of work included in the Innovation Plan, we highlight the following that are particularly aligned with the current and future priorities of society.

Energy and Environment

Within the framework of a coordinated strategy aimed at reducing environmental impact, the Group pursues several areas of work:

- Optimisation of on-board energy accumulation systems based on batteries. Approximately every two years a new generation of batteries appears with clearly superior performance to that of its predecessor. For example, in high-energy batteries, the energy density per kg of battery increased by 77% between 2014 and 2020. High-power batteries also deliver a superior performance, particularly as regards charging power. These improvements have a crucial impact on the performance of vehicles and considerably increase their autonomy.
- Development of new hydrogen-based propulsion systems.
- Both systems (batteries and hydrogen) have applications for vehicles driven on infrastructure that has no continuous electrical power.
- Development of specific technologies aimed at reducing the energy consumption of vehicles by improving the energy efficiency of their components (for example, power equipment based on new Silicon Carbide – SiC – transistors) or by making the vehicle lighter (e.g. new materials, simplification of architectures, less wiring, etc.). CAF was the first train manufacturer to put a European metro into commercial service with SiC technology. This technology allows trains to reduce their consumption by between 8 and 10%.
- Smart management of the energy used by vehicles, including driving assistance systems, efficient driverless systems and smart systems for managing the operation and consumption of the different vehicle components.
- Reduction of both exterior and interior noise levels and reduction of vibrations transmitted to the ground, as well as electromagnetic emissions (EMI/EMC).

In this area, it is worth highlighting the European collaboration projects FINE, PINTA, X2RAIL, PIVOT, IN2STEMPO, IN2SMART, FR8HUB, FR8RAIL, FCH2RAIL, ASSURED, TRUSTONOMY, VIRTUAL-FCS and STASHH described in the following section.

Automation

Smart mobility delivers significant benefits to operators and increases safety and comfort for passengers. The development of automatic and autonomous vehicles is also a key element for increasing transport capacity, energy efficiency, punctuality and the fluidity of door-to-door travel.

In this field, the CAF Group is carrying out activities in the following work areas:

- Cybersecurity
- 5G communications and the future railway mobile communication system (FRMCS)
- Interior and exterior perception of vehicles through vision and artificial intelligence developments.
- Safe positioning without the need for beacons mounted on the infrastructure.
- On-board control and diagnostic system capable of performing critical safety functions.
- Automatic train protection systems: ERTMS Baseline 3.
- Automatic train operation systems: ATO over ERTMS and ATO over ATB.
- Communications-based train control (CBTC) system.
- Advanced driving assistance systems (ADAS).

In this area, we should highlight the European and national collaboration projects CONNECTA, X2RAIL, LINX4RAIL, TAURO, 5GRAIL, UP2DATE, SELENE, CBTC-2020 and ADAS, described in the following section.

Digitalisation

CAF is aware of the immense importance of the digital transformation process that is currently taking place in all areas of society, and it therefore dedicates a significant part of its R&D efforts to developing its own vision of digitisation for rail and bus transport, focused on the following lines:

- Development of technology to provide an infrastructure for capturing and transmitting data throughout the entire transport system, including aspects such as sensorisation and communications between the vehicle and the infrastructure.
- Management and analysis of large amounts of information using big data techniques.
- Application of advanced data analysis techniques (Artificial Intelligence, Machine Learning, Deep Learning, etc).
- Use of these tools for the development of applications in areas of special significance such as diagnosis, maintenance, energy consumption and operation.
- Model-based systems engineering (MBSE) to support system requirements, design, analysis, verification and validation activities, beginning in the conceptual design phase and continuing through development and later phases of the cycle of life.
- Development of BIM (building information modelling) to centralise all the construction project data in a digital information model created by all the agents involved.

In this area, we should highlight the European collaboration projects CONNECTA, X2RAIL, LINX4RAIL, IN2STEMPO and IN2SMART, described in the following section.

Featured innovation projects underway or completed in 2021

The CAF Group participates in the main collaborative R&D initiatives in the sector and is therefore playing an active role in evolving the entire mobility sector.

Listed below are some of the key projects carried out in 2021 within technology and product/service innovation activities and that have an impact on all CAF Group's activities.

Of particular importance in this area is the European Shift2Rail initiative, currently one of the main agents for change in the railway sector. This is a major European initiative, within the Horizon 2020 Framework Programme, dedicated to collaborative research and innovation between the different agents in the sector (operators, infrastructure managers, manufacturers, technology centres, etc.) aimed at accelerating the integration of new technologies in the railway sector. Shift2Rail brings together the major players in the European railway sector. CAF is playing a key role as one of the eight founding members of the initiative, and it also responsible for the coordination of the "Innovation Programme 1: Rolling Stock", which includes all developments related to vehicles. The key Shift2Rail projects are indicated below:



European project FINE-2

[FINE-2](#) was launched within the framework of Shift2Rail and aims to develop improvements in the areas of noise and energy. Specifically, experts will explore innovative technology solutions to **reduce the noise and energy consumption** of railway systems.

CAF is playing a key role in the project.



European projects CONNECTA-2 and CONNECTA-3

[CONNECTA-2](#) was launched within the Shift2Rail initiative with the aim of overhauling the train control, diagnosis and monitoring system (TCMS). It will incorporate advanced capabilities such as wireless communication in the train network, the ability to execute high safety functions (SIL4), and the validation of the system's performance before it is deployed. These developments are in line with the trends towards **digitalisation** and **automation** in the railway sector.

In addition to being one of the main technical contributors, CAF coordinated the CONNECTA-2 project for the entire consortium. In 2021 CONNECTA-3 was launched aimed at validating the developments of previous projects in an urban demonstrator vehicle.



European projects PINTA-2 and PINTA-3

[PINTA-2 and PINTA-3](#) were launched within the framework of Shift2Rail with the aim of developing the next generation of railway traction systems. Teams of experts are working on new technologies for power electronics components (Silicon Carbide – SiC) aimed at **reducing their volume and weight while increasing their energy efficiency**. Methods are also being developed to increase the reliability and availability of traction equipment, as well as to reduce the time and cost of validation and certification processes.

CAF Power & Automation is playing a key role in the consortium as one of the members with the highest volume of activities. Thanks to this project, CAF Power & Automation has put the first European metro into commercial service with SiC technology.



European projects X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5

[X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5](#) were launched within the framework of Shift2Rail with the aim of developing a control, command and communication system which rather than simply contributing to the control and safe separation of trains will become a **smart and flexible real-time traffic management and automation system**. Work is currently underway to overcome the limitations of existing communication systems, improve usable track capacity, create innovative signalling architectures to transition to less centralised and less expensive systems, **minimise energy consumption** and develop **new cybersecurity systems**.

CAF Signalling is playing a key role in the project.



European project PIVOT-2

The PIVOT projects launched within the framework of Shift2Rail focus on the development of new technological concepts for the next generation of rolling stock, applied to key sub-systems such as structure, bogie, brakes, doors, modular interiors and HVAC.

The aim of the [PIVOT2](#) project is to create **lighter and more energy efficient passenger trains** that are more comfortable and have less impact on the track to **reduce the life cycle cost** of the entire railway system.

CAF Signalling is playing a key role in the project.



European project IN2STEMPO

The [IN2STEMPO](#) project launched within the framework of Shift2Rail aims to reduce life cycle costs and improve reliability and punctuality while increasing capacity, improving interoperability and enhancing the passenger experience.

The activities of IN2STEMPO Smart Power Supply will contribute to the development of a smart railway network based on a single **more efficient rail power grid** in an interconnected system.

CAF Turnkey & Engineering is playing a key role in the project related to energy measurement and the energy efficiency of railway infrastructure. Infrastructure

monitoring systems and big data analysis techniques were developed to improve energy efficiency and define condition-based maintenance (CBM) criteria.



European project IN2SMART2

The management of rail sector assets needs to improve considerably to ensure their sustainability, which can be done through innovative technologies, new economic possibilities and legislative improvements. With this in mind, the EU-funded [IN2SMART2](#) project within the framework of Shift2Rail has developed a multi-action plan called the Intelligent Asset Maintenance Pillar to deliver **innovative asset management**. The project team aims to achieve this by creating new and optimised strategies, tools, products and systems for holistic, prescriptive and risk-based asset management. By focusing primarily on the tactical and operational plane, **the project will contribute to the increased efficiency of the railway sector.**

CAF Turnkey & Engineering is playing a key role in the project by developing a sustainable tram depot in BIM.

FR8RAIL

European projects FR8RAIL-II, FR8RAIL-III and FR8RAIL-IV

The key aim of the [FR8RAIL](#) project proposal, launched within the framework of Shift2Rail, is to develop the functional requirements for **attractive and sustainable European rail freight transport**.

The objectives of FR8RAIL are a 10% reduction in the cost of freight transport measured in tonnes per km, a 20% reduction in time variations during freight transport, and the increased attractiveness of logistics chains by making all information on rail freight transport available to the information systems of the logistics chain.

CAF is playing a key role in the project, for example by developing a thermostable wheel design that helps to **reduce noise** in freight transport.



European project FR8HUB

The key aspect of the [FR8HUB](#) project, launched within the Shift2Rail framework, is the emphasis on increasing efficiency in the nodes, centres and terminals of the freight rail system and continuing with the development of the **freight locomotives of the future**.

CAF Power & Automation is playing a key role in the project, for example by contributing to the on-board energy system of the locomotives.



European project LINX4RAIL

The aim of the [LINX4RAIL](#) project, launched within the framework of Shift2Rail, is to develop a common advanced functional rail system architecture for the sector supported by a conceptual data model (CDM). The project will also create a standard to ensure **sustainable interoperability** between systems.

CAF Signalling is playing a key role in the project.



European project TAURO

The [TAURO](#) project, launched within the framework of Shift2Rail, will shape the future of European rail transport by developing the **technologies to make autonomous rail transport** a reality. This will be achieved by working on state-of-the-art systems for environmental perception, remote operation, automatic monitoring and diagnostics, and easing the transition to these new autonomous control systems. CAF is playing a key role as coordinator of the project.

In November 2021 the EU-Rail Partnership, successor to Shift2Rail, was established within the Horizon Europe programme (2020-2027). The partnership aims to accelerate the research and development of innovative technologies and operational solutions to lead the transformation of the rail sector, working towards the dual green and digital transition of Europe.

As with Shift2Rail, CAF is playing a key role as one of the founding members of the initiative.

CAF is also participating in another series of European and national projects focused on improving the sustainability of its products:



European project FCH2RAIL

The FCH JU, an agency of the European Commission engaged in promoting the development of hydrogen and fuel cells, has selected the [FCH2RAIL](#) project, for which CAF is the technical lead, to **develop a prototype railway powered by hydrogen**.

The main objective of the FCH2RAIL project is to design, prototype and standardise the next generation of hydrogen trains based on a new concept of dual-mode electric-hydrogen traction. These trains will be able to operate with the electricity provided by the catenary and, in non-electrified sections, with the energy obtained from the hydrogen cells and the hydrogen on board. The train also uses batteries, which will significantly reduce consumption.

Another key objective of the project is to collaborate in the definition of the regulatory framework to put this type of vehicle into service.



European project 5GRAIL

The global 5G standard for railway operational communications will be the future railway mobile communication system (FRMCS). This means that the European Railway Agency will need to update the interoperability technical specifications of the control-command and signalling system by the end of 2022. In order to meet this challenge, the EU-funded [5GRAIL](#) project aims to **develop and test prototypes of the FRMCS ecosystem**. The project will verify the first set of FRMCS specifications and standards, as well as potentially updating the FRMCS V1 specifications and identifying technical limitations related to application issues. CAF is playing a key role in the project.



European project UP2DATE

The computer systems of cars and trains contain mixed criticality cyber-physical systems (MCCPS) which, along with the wireless delivery of new software or data for their routine functions, need constant updates and repairs. Over-the-air software updates (OTASU) contain enhanced features and fix bugs and threats, but the update processes create security issues for user data, or are impractical. The aim of the EU-funded [UP2DATE](#) project is to develop a new security update model (SASE) for software in MCCPS systems. The consortium of knowledge generators (IKL, BSC, OFFIS) and technology integrators (IAV, TTA), as well as end users in the automotive and railway sectors (MM, CAF), will test two examples of this new architecture.

CAF Signalling is playing a key role in the project.



European project SELENE

High-performance computing using off-the-shelf components offers an alternative path to increasing the computational capacity of critical security applications. Despite their potential in various fields, the use of these systems is limited due to the lack of certified and reliable hardware platforms. The EU-funded [SELENE](#) project aims to change this by creating a safety-critical cognitive computing platform (CCP) with self-aware and self-adaptive capabilities. SELENE's CCP uses artificial intelligence techniques to maximise the effectiveness of the critical safety system and adapt its behaviour in different fields such as automotive, space, avionics, robotics and factory automation.

CAF Signalling is playing a key role in the project.



European project ForZDM

The aim of [ForZDM](#) (European Integrated Zero Defect Manufacturing Solution for High Value Adding Multi-stage Manufacturing systems), funded under the H2020 programme, is to develop and demonstrate tools to support the rapid deployment of ZDM solutions in industry and design more competitive and robust multi-stage manufacturing systems. As a result, the production system **will reduce overall energy consumption** due to a more efficient system, while also **reducing the scrap rate**.

CAF Signalling is playing a key role in the project.



ASSURED project

[A research and innovation project](#) aimed at **boosting the electrification of urban commercial vehicles** and their integration with high-power fast-charging infrastructures, evaluating various infrastructures in different cities throughout Europe. The key objective of the project is for each of these solutions to be capable of charging different types of vehicles and supplying power to an entire fleet of buses.

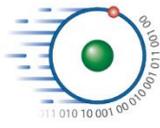
Solaris is involved in the research on the stability, safety, reliability and standardisation of the electrical grid by contributing vehicle data.



European project TRUSTONOMY

The [TRUSTONOMY](#) project was launched under the Horizon 2020 Framework Programme. Its key objective is **to maximise the safety, trust and acceptance of autonomous vehicles**. Trustonomy investigates different relevant technologies and approaches, such as the driver condition monitoring system, HMI design, risk models and driver training methodologies, from the perspective of performance, ethics, acceptability and trust.

Solaris is playing a key role in the consortium as the partner responsible for testing the Trustonomy system on the test track. It is also helping to create test procedures and define the guides for integrating the system into the vehicle.



European project VIRTUAL-FCS

The general objective of the [VIRTUAL-FCS](#) project is to develop an open-source software-hardware tool that can be adopted as a global standard for the **design of hydrogen fuel cells for the transport sector**. The platform will give the integrator confidence that the system will meet the required performance, reliability and durability requirements. Solaris is contributing its experience in the field of hydrogen buses.



European project StasHH

[This project](#) is developing an **open standard for hydrogen fuel cell modules** in terms of size, interfaces and control and testing protocols, with the aim of promoting the use of hydrogen fuel cells in the heavy mobility sector when battery electrification is not feasible. Solaris is contributing its experience in the field of hydrogen buses.



Second Life ESS project

The Second Life ESS project in which Solaris is participating aims to create a prototype for **an electrical energy storage system based on used bus batteries**. The key goal is to use lithium-ion cells whose parameters are no longer optimal for powering vehicles but can still serve as energy storage. The project is co-funded by the NCBiR (Polish National Centre for Research and Development).



Hybrid Beams project

[The project](#) focuses on a new concept of bus structure based on the addition of layers of carbon fibre and foam padding, used as local reinforcement of the entire structure. This makes the new lightweight structure more useful and effective for buses with added masses (electric, hydrogen and CNG buses). The key objective of the project, in which Solaris is participating, is to investigate the suitability of these hybrid joints in the construction of buses (hybrid beams and structural nodes). The ultimate goal is **reduce vehicle weight, reduce energy demand, increase the stiffness of the structure against overturning**, and maintain or increase the fatigue behaviour of the structural nodes. The project is co-funded by TA ČR Starfos (Czech National Centre for Research and Development).



ADAS project

Devised jointly by engineers at Solaris and Poznań University of Technology, the system will not only make it easier to perform simple and complex manoeuvres, such as driving forward, reversing and parking, but will also be of invaluable support when performing more precise movements, such as connecting the pantograph at the charging point, which can be particularly difficult in the case of articulated vehicles. The objective of the [project](#) is **to improve the safety of bus passengers and drivers** in urban traffic. It will also help operators to perform manoeuvres bus depots. The new system will also guarantee **optimal energy consumption** by vehicles.



CBTC-2020 project

[Collaborative consortium](#) of five companies, including CAF Signalling, for the development of a CBTC GoA2 system aimed at increasing the **safety and sustainability of rail transport**. This is a project within the CIEN Strategic Programme funded by the Centre for the Development of Industrial Technology (CDTI).

Innovation in processes

The CAF Group constantly works to optimise its processes to achieve the excellence required by its stakeholders. Two key initiatives developed for this purpose are the global transformation programmes and the lean manufacturing methodologies adopted by several Group companies.

In 2018 CAF launched a global transformation programme called MOVE within the vehicle activity with the aim of encouraging all areas to think about how to improve their efficiency in terms of cost, quality and time. This programme will continue in 2022 with an exclusive focus on improving competitiveness, ensuring continuous innovation in business processes. All MOVE initiatives are grouped along various workflows covering Operations, Quality and Contract Management, from the bidding phase to guarantees.

Examples of the type of process innovations introduced by MOVE during this period are listed below.

- Performance management of the engineering area, innovating the task management system and governance and reaching productivity improvements of up to 5%.
- Development of electronic equipment validation benches for URBOS platforms and other product lines with an improvement of up to 0.5% in project costs.
- Automation of wiring continuity ("ringing") and vehicle stiffness tests online, obtaining up to 0.2% cost reduction for a project.
- Standardisation of TCMS variables and alarms with a cost reduction of up to 0.1% in a project.
- Quality door reinforcement and project rework procedures with up to 0.5% savings for projects.

Cost reduction was not the only reason for the improvements implemented in the processes during this period. The following additional factors were also taken into account during the transformation: product quality, customer satisfaction, digitalisation of processes, improvement of technical capacity and technical specialisation, increase in both production capacity and engineering, and improvements in deadlines. The fact of having several workflows covering the entire activity was what made it possible to include all these factors, which are essential for process innovation.



Meanwhile, the lean manufacturing concept applied in the CAF Group's production facilities focused on the layout of those facilities and adaptation of the manufacturing processes to the lean manufacturing methodology. Lean manufacturing is a management model focused on minimising losses in manufacturing systems while maximising value creation for the end customer. It therefore uses the minimum amount of resources, i.e. only the ones strictly necessary for growth. The main objectives for applying this methodology were to reduce manufacturing costs, improve product quality, reduce delivery times, increase manufacturing capacity, improve working conditions (safety and ergonomics), reduce the emission of harmful substances (VOC), and reduce environmental impact by reducing waste. The use of this methodology has led to changes in multiple production processes and the introduction of new generation solutions which have made it possible to improve and reduce the cost of these processes.

CAF has also automated several activities in its production process, most notable of which is the automation carried out in the manufacturing process of railway axles, leading to the implementation of the following stations:

- Automatic station for axle forging.
- Station for the laser geometric measurement of axle forging performs.
- Cold rolling station for axles.

Digitalisation

The development and growth of CAF Group in recent years has led to a digital transformation in terms of processes, technology and management aimed at improving efficiency, robustness and flexibility, therefore laying the foundations for meeting the challenges defined in the strategic plan for the different areas and activities of the Group.

As part of the digital transformation currently underway in terms of product, production and management, the adoption of a new ERP is enabling the transformation of all management tools.

The implementation of a new resource planning system or ERP will facilitate global, corporate, integrated, flexible and evolving management. This digital transformation supports other transformation initiatives that are being carried out at CAF and is the technological benchmark for accommodating new needs.

The implementation of the new ERP will be key to the development of existing services, processes and communications, as well as integrated relationships with digital continuity between the different functions and activities of the Group. It will also deliver greater agility and flexibility in the monitoring and management of the CAF Group's end-to-end projects. The implementation of the new ERP will involve changes from the point of view of the integration and standardisation of many business processes, improving information management and the centralised real-time control of the entire budget of an end-to-end project.

This change will also improve the harmonisation, standardisation and visibility of all activities related to supplier management, for both direct and indirect purchases, with the consequent optimisation of costs in this area.

Another far-reaching implication, but which due to its complexity will be gradually rolled out over the course of several years, is the digital continuity between design tools (PLM) and operations management tools (ERP), with all the processes that carried out in that environment (purchasing, quality, manufacturing and testing).

The new system should enable us to achieve solid data governance, resulting in both a unified coding of materials and suppliers (single data) as well as more accurate and reliable analytical reports in the new business intelligence tool.

The ERP adopted, a leading tool in the market, offers the possibility of incorporating the best practices of leading companies as well as permitting the development of a global map of applications with total connectivity and integration.

The implementation project for the new ERP, called Ziaboga, was launched in 2020 with the selection and signing of the contract with the ERP supplier, continuing in 2021 with the correction and exploration phases. In the correction phase, the processes and sub-processes to be implemented in the tool were reviewed and completed, and during the exploration phase work commenced on the detailed design of the ERP based on its functional specification, including aspects related to the configuration and the user experience. All processes will be developed and tested in 2022, and the tool should be operational in 2023.



In addition to the adoption of different computer programs to digitalise and automate multiple Group processes, the CAF Group launched the following digitalisation measures to improve the Company's processes:

- Virtual validation and approval processes to limit the dependence on physical tests to test, approve and certify different properties of the products supplied by the Group.
- Systems and tools to digitalise manufacturing, quality and maintenance documentation.
- Developments aimed at digital continuity between different IT systems.
- Graphical programming languages to simplify code generation activities.

● Open innovation

For more than a decade, CAF has been collaborating with various suppliers, business partners, technology companies and research centres to accelerate the Group's innovation capabilities. European and national R&D funding programmes, such as Shift2Rail and EU-Rail mentioned above, also value and promote this type of collaboration.

As an example of the multiple collaborations with research centres, in recent decades CAF has been working closely with the Ikerlan Technology Centre (www.ikerlan.es). The relationship began in 2006 with the development of CAF's own traction inverters. Ikerlan's contribution has covered the development of traction systems for all catenary voltages, different topologies, cooling technologies, control strategies and semiconductors. Ikerlan has also participated in the development of CAF's on-board energy storage system (OESS) and its evolution in recent years.

However, in addition to the field of electric traction, the collaboration with Ikerlan has covered activities related to signalling and railway infrastructure.

CAF has set up several subsidiaries to market the products developed after several years of R&D. The earlier examples were Traintic (2002) and Trainelec (2007). Traintic and Trainelec, now CAF Power & Automation (www.cafpower.com), were created to supply traction equipment and train control and monitoring systems (TCMS) developed by CAF's R&D Department. These CAF Group subsidiaries have since improved and increased their range of products, and today they are benchmarks in their sector, again thanks to significant investments in innovation.

The most recent example of a subsidiary created by CAF is CAF Digital Services (www.cafdigitalservices.com). Founded in 2020, the company markets LeadMind, CAF's data-based digital platform. This product was the result of several years of R&D projects for the digitalisation of trains (Digital Train). The Digital Train projects were focused on data acquisition, data management (big data, data transmission and storage) and data analysis.



The CAF Group's collaborations also extend to the startup ecosystem. In 2015 CAF launched CAF Ventures as a corporate investment initiative, and in 2020 it launched the Venture Client CAF Startup Station (www.cafstartupstation.com).

CAF Startup Station is designed to partner with top-tier startups working on relevant and innovative solutions for the rail and bus sectors. The key objective is to build and consolidate customer-supplier relationships between the different startups and the CAF Group.



CAF Startup Station follows the Venture Client model, which focuses on achieving a real impact on the business. This model allows the Group to acquire and test the startup's solutions through a pilot project. As a result of the success cases, a long-term customer-supplier relationship is established with the startups, which could ultimately lead to an eventual purchase. A CAF Startup Station success story is to implement software for the management and reporting of non-financial information in an agile and accurate way by collaborating with a local startup.

The CAF Group also collaborates through technological licences, both by giving access to developments carried out by the Company to other companies (e.g. the licensing of interlocking technology for TEXMACO, India), and by adopting development licences from other companies to incorporate them into its own processes and products, such as Straton's Graphical Programming Environment. These collaborations permit faster product development and commercialisation with proven solutions and proven reliability levels.

3.4 Responsible and sustainable supply chain

[102-9, 102-12, 102-17, MA 204, 204-1, MA 308, 308-2, MA 414, 414-2]

The sustainable management of CAF Group's supply chain covers environmental, social and governance aspects. The Group monitors sustainability risks to avoid negative impacts derived from the supply chain and encourages suppliers to comply with all the legal requirements of the sector and country in which they operate and to incorporate sustainability into all their operations.

This management approach is based on the Corporate Purchasing Policy, the Environmental Policy, the Code of Conduct for Suppliers, and the General Purchasing Conditions, all of which incorporate the principles of the United Nations Global Compact on Human Rights, the Environment and the Fight Against Corruption and provide guidance for the organisation and its suppliers.

In 2021 the CAF Group spent approximately 2,000 million euros on nearly 8,000 Tier-1 suppliers (i.e. suppliers that deal directly with and invoice the CAF Group directly) located in more than 60 countries, although most of the suppliers are located in the European Union.

Most of the products and services provided by CAF's suppliers have a predominantly technological component, while the labour component is concentrated in subcontractors, maintenance service providers and civil works.

The following risks relating to social, ethical and environmental matters have been identified in this area: (i) violation by suppliers of business ethics; (ii) breach by supplier of laws and regulations; (iii) disregard for the protection of Human Rights; and (iv) involvement in acts of corruption (bribery).

The impacts arising from these risks could result in loss of suppliers and penalties/breaches of contract with customers and damage to the image or reputation of the CAF brand. These impacts have a direct short-term effect; however, they may extend to the medium term due to the search for replacement suppliers.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks.

Meanwhile, sustainability management in the supply chain has provided the following opportunities: (i) participation in the Railsponsible sector initiative, where the main operators and manufacturers in the sector collaborate to develop sustainable practices and share best practices throughout the value chain of the railway industry; and (ii) continuous improvement of suppliers in matters of sustainability also improves their resilience and competitiveness.

As reflected in the materiality analysis updated in 2021, the CAF Group is aware of the severity of the potential economic and reputational impacts of these risks. To mitigate them, the Sustainability Committee and the Corporate Purchasing Committee have established the strategy described below.



● Supply chain strategy and objectives

The CAF Group is committed to promoting and supervising sustainability in its supply chain. The Sustainability Committee has established the following objectives for the Responsible Purchasing Programme in 2022:

- More than 90% of the suppliers identified in the risk map as risk suppliers must have been evaluated or audited.
- Spending on suppliers assessed as medium or high risk must be less than 1.8% of total spending.

In 2021 the Corporate Purchasing Committee continued to implement the Purchasing Policy in the Group's main activities. In 2022 the main activities will transfer to their respective processes the requirements for due diligence and supervision of the sustainability of the supply chain established by the Purchasing Policy.

The Sustainability Plan of the Purchasing Committee for 2022 includes the implementation of a supplier registration and qualification process that covers due diligence in matters of risk and sustainability, as well as the extension of the Responsible Purchasing Programme, operational in the rolling stock activity since 2018, to other Group activities. The Solaris and Comprehensive Solutions and Systems activities will implement their own programme during the course of 2022. The company CAF Power and Automation laid the foundations for its own programme in 2021, taking advantage of the collaboration in the area supervised by the Purchasing Committee.

● Communication with suppliers

CAF is aware that good communication and sharing information between the Company and its suppliers are key to maintaining efficient processes and long-term business relationships, and it has opted to ensure this two-way dialogue through supplier satisfaction surveys. Although the survey results show a notable level of satisfaction in 2022 the Group will analyse and address the identified improvement opportunities.

Additionally, all suppliers have a specific separate communication channel for raising any questions regarding the general Code of Conduct and the Supplier Code of Conduct, procurement@caf.net, as well as another channel to report to the CAF Compliance Committee any current or potential conflict of interest or breaches of the principles of business ethics by CAF professionals: whistleblowerchannel.suppliers@caf.net. In 2021 no conflicts of interest or breaches of the principles of business ethics were received through this reporting channel.

● Supplier Code of Conduct

The CAF Group requires all suppliers to comply with the ethical principles set out in the CAF Code of Conduct published on the corporate website, including social, ethical and environmental commitments¹⁵.

In addition, the commitments to comply with the general principles of the Code of Conduct, working conditions, health and safety, the environment, commercial ethics and confidentiality are implemented in the Corporate Suppliers Code of Conduct available on the corporate website and via the usual means of internal communication. The Supplier Code of Conduct requires CAF suppliers to transfer the same sustainability standards to their own supply chain.

CAF reserves the right to verify compliance by its direct suppliers. This verification may be through assessments conducted by ESG rating agencies, self-assessment questionnaires, or audits at supplier facilities. If a supplier's behaviour does not comply with the principles of the general Code of Conduct or this Supplier Code of Conduct, either in its activity with CAF or in the market with third parties, CAF is entitled to take the appropriate measures and may refuse to collaborate with the supplier in the future, or even terminate the current relationship depending on the circumstances.

In 2021 work continued on the implementation of the requirement that all suppliers in the process of qualifying for the Group's various activities must accept this Code.

The CAF Group's performance in terms of sustainability in the supply chain is monitored annually and has been recognised by the main ESG rating and certification agencies. Certifications in this area are available in the sustainability section of the Group's corporate website.

● Sustainability in supplier management

The supplier qualification processes guarantee that our suppliers contractually commit to the Supplier Code of Conduct and incorporate sustainability checks of the following aspects:

¹³This requirement applies to 81% of purchases made at Spanish and international subsidiaries in relation to the main lines of business in 2021 (Rolling Stock, Buses, Railway Services, Components, Signalling, Power and Traction Equipment, and Engineering).

- Sustainability, Environment and Occupational Health and Safety management certifications, among others¹⁶
- Product Quality Management related to IRIS certification¹⁷
- Compliance with the CAF Code of Conduct
- Compliance with the Sustainability Policy

In 2021 a specific questionnaire on sustainability was incorporated into the mandatory quality audits for approval as a supplier of railway equipment and material for the railway vehicles and buses activity. Based on this initiative, aspects of sustainability were checked in 41 on-site audits.

Meanwhile, quality inspections at origin make it possible to identify any deviations from the principles of the Supplier Code of Conduct.

● Supply chain monitoring methodology

In the monitoring of sustainability criteria in the supply chain, the evaluation effort prioritises those that represent the greatest environmental, social and ethical risks, whether due to the potential environmental impact of the product or because they are located in countries with a higher level of exposure to such risks.

In 2021 the railway vehicles activity extended its Responsible Purchasing Programme, which already supervised suppliers of railway equipment and material, to the purchase of indirect services and products.

Based on these criteria, the evaluation effort is focused on 427 target suppliers out of a total of approximately 10,000 suppliers.

The evaluations are carried out by Ecovadis, the world leader in this field. Ecovadis adapts the evaluation questionnaire to each supplier based on the locations in which it operates, its sector and its size to evaluate 21 aspects of sustainability aligned with the most demanding international norms, regulations and standards, including those of the Global Reporting Initiative (GRI), the International Labour Organisation (ILO), the UN Global Compact and ISO 26000. Suppliers' responses are evaluated by specialised analysts who check whether the documentary evidence is consistent, recent and evidences a dynamic review of the policies, actions and results in the different subjects. This analysis results in a general rating with a maximum score of 100 points, which represents excellent sustainability management.

If the result of an evaluation does not meet the requirements established by CAF (a general score of 45 out of 100 in sustainability management), the supplier is required to implement an action plan to improve the weaknesses identified. If the supplier does not raise its assessment to acceptable levels or does not show a commitment to improve, it is audited by experts in the field.



● Results of the responsible purchasing programme

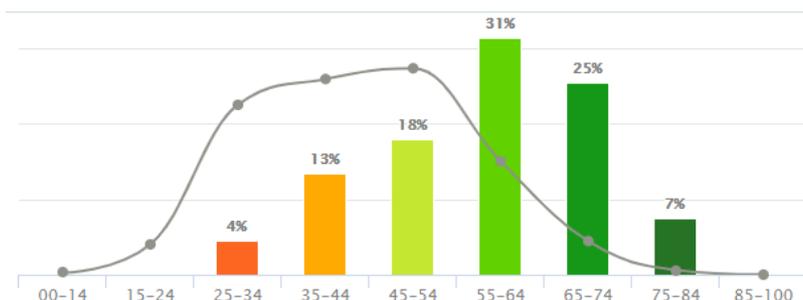
¹⁴ SA8000 Social Responsibility Certification, ISO 14001 Environmental Management System Certification, OSHAS 18001 Occupational Health and Safety Management System Certification, ISO 22301 Business Continuity Management Systems Certification, etc.

¹⁵ Risk analyses, quality certificates and supplier management are evaluated, among others.

At the end of 2021, 85% of the prioritised suppliers (67 business groups) had been assessed in terms of their sustainability management, i.e. their environmental, social and governance management, which represents ¹⁸56% of the expenditure in this activity.

The assessed suppliers have an average overall rating of 58 out of 100, representing a medium-high level of sustainability management, which is 14 percentage points higher than the average of all suppliers assessed by Ecovadis worldwide (44/100). In addition, 61% of CAF suppliers reassessed in the last year improved their rating.

The following graph shows the distribution of the overall rating of the suppliers assessed by the Vehicle activity in the columns and the grey line shows the distribution of the overall rating of all companies assessed by Ecovadis:



	2021	2020	2019	
General Sustainability indicator ^{r19}	Of suppliers of CAF's Vehicles activity	58/100	56/100	53/100
	Of all suppliers evaluated by Ecovadis at worldwide level	44/100	43/100	43/100
Change in the Sustainability indicator of CAF's suppliers	Improved	61%	65%	50%
	Unchanged	16%	19%	20%

As a result of these assessments it has also been identified that 4% of the Group's total purchases are made from suppliers with average or lower sustainability management and an improvement plan has been agreed with all of them. Furthermore, no relevant negative impacts have been identified in the supply chain, so no sustainability audits have been required in 2021. In 2020, three suppliers were audited and during this year have shown an improvement in their assessments so that all of them have low risk assessments.

In addition, during 2021 both Solaris and CAF Power & Automation have developed their prioritisation criteria for the extension of the Responsible Sourcing Programme in their supply chains.

¹⁸ Comprising a total of 350 companies.

¹⁹ Assessment scale: 0 – 25: Low; 25-45: Medium/low; 45-65: Medium/high; 65-100: High

The following table summarises the results of the 2021 supplier assessment campaign:

	2021	2020	2019
Number of business groups assessed in terms of their sustainability/ESG management	67	46	39
Coverage of sustainability assessments on the amount of purchases of the Vehicle activity	56%	-	-
Purchases from high or medium risk suppliers:			
Total Group volume of expenditure on suppliers with a medium or lower sustainability management rating	4%	2%	-
The percentage of suppliers with an average or lower management evaluation with whom improvements have been agreed as a result of an evaluation.	100%	100%	-
Number of suppliers identified as suppliers with significant negative environmental, social or governance impacts	0	0	0

● Development of local suppliers

The CAF Group is committed to developing supply chains in the countries where it carries out its most significant operations.

For example, in 2021 local suppliers accounted for 61% of the Group's spending in countries with significant operations²⁰ (in 2020, 65%). CAF therefore not only guarantees supplies and maintains relations with the community, but helps to promote a stable local economy.

The CAF Group is committed to managing the relationship with strategic suppliers to improve technical training, quality and the integration of the business processes of both organisations.

The Vehicles activity has an ongoing programme to develop the small and medium-sized local suppliers with whom it works by adapting their processes and capacities to the growth strategy for this line of business, and also to improve delivery performance, quality and profitability. In 2021 the programme focused on suppliers of painting processes.

In addition, the Railway Vehicles and Services activities continued the extended industry and value chain organisation project begun in 2020 to improve the integration and synchronisation of the logistics processes shared with their suppliers through the development of electronic data exchange channels. This has led to greater competitiveness and resilience of the entire value chain. In 2021 eight suppliers benefited from this initiative and CAF is committed to significantly extending its use in 2022. The initiative was supported by the Etorkizuna Eraikiz programme of the Gipuzkoa Provincial Council and conducted in collaboration with the Igarle technology consultancy.

²⁰ Including the data relating to expenditure made at the Group's significant establishments, which represent 90% of CAF's workforce. A supplier is considered local when it is located in the same country as the significant activity that procures its services.

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 Sustainability Policy
17 December 2020*

4.1

Talent development

4.2

Diversity and equal opportunities

4.3

Respect for Human Rights

4.4

Occupational health and safety in the workplace

4.1 Talent development

[102-7, 102-8, 102-41, MA 401, 401-1, MA 402, MA 404, 404-1, 404-3]

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 rolled out as part of the Corporate People Management Process, which defines a proprietary standard common to all the Group companies. The standard's comprehensive nature endows it with a broad scope, from ensuring organisational adequacy, through hiring and internal mobility, and the assessment and qualification of its professionals, to their training and development. It also includes policies on remuneration and labour relations.

The main activities in 2021 were the definition and deployment of the initiatives included in the corporate people plan with the aim of improving talent management in all Group activities and on every work front: from the promotion of values, progress in measuring organisational, improvements in talent recruitment and development activities, and the deployment of commitments regarding health and safety in the workplace.

In 2021 special attention was also paid to improving organisational health in the Group's different activities. Significant efforts were invested in the implementation of the action plans defined for this purpose. As a result of these plans and despite being conditioned by the impact of the health crisis and the implementation of measures to improve competitiveness, the organisational health index was positive compared to previous years. Surveys were rolled out in all the main activities, reaching 85% of the Group's workforce. Looking ahead to future years, the Group anticipates further improvement in this field as a result of the deployment of the improvement plans already defined and the monitoring system implemented. The generation of a shared culture within the Group is a cornerstone of these initiatives.

In this area, the following risks relating to both occupational risk prevention and adequate professional development of employees have been identified: (i) staff turnover; (ii) insufficient training and professional development; (iii) lack of diversity and equal opportunities; (iv) accidents and the effects on health.

The impacts arising from these risks may result in reduced employee productivity, impairment of employee health and motivation, and fines relating to employee occupational safety. Since these risks and their impacts materialise gradually over time, this will occur in the medium term.

The aforementioned policies, code of conduct and procedure constitute the main corporate principles, procedures and controls required in order to address matters relating to personnel.

The corporate risk control and management system covers the risks described above and provides a series of activities aimed exclusively at managing them. This process meets the risk and opportunity analysis of the frame of reference.

● Talent attraction

In 2021 the Group's average workforce totalled 13,113, and at 31 December 2021 the workforce was 13,284 people.²¹ The average workforce of the CAF Group therefore remains stable. At year-end the workforce had increased by 227 people, adapting to the Group's needs in its different lines of business and geographical areas. This increase is also partially owing to the integration derived from the labour reform that affected the activities carried out in Mexico. Provided below there is a breakdown of employees by the following diversity criteria: gender, age, professional group and country.

²¹The data were obtained from the information systems of each company, and employees involved in furlough-type arrangements on a full working day and full year basis were included in the calculation since the impact thereof was not generally considered to be significant. In order to perform the activities that the company considers it is necessary for outsourced personnel to carry out at its facilities, CAF enters into service contracts, which define the type of activity to be performed. CAF supervises the outsourcing activities performed and does not record statistics in relation to outsourced personnel since this is not considered to be significant.

**CAF Group headcount
(At year-end)**

	2021		2020		2019	
	Number	%	Number	%	Number	%
By gender						
Male	11,235	85%	11,080	85%	11,263	85%
Female	2,049	15%	1,977	15%	1,916	15%
By age						
Under 30 years of age	1,746	13%	1,785	14%	1,993	15%
Between 30 and 50 years of age	9,219	70%	9,050	69%	9,139	69%
Over 50 years of age	2,319	17%	2,222	17%	2,047	16%
By professional group						
Employees	6,794	51%	6,386	49%	6,209	47%
Operators	6,490	49%	6,671	51%	6,970	53%
By country						
Europe	11,699	88%	11,460	88%	11,522	88%
Spain	6,572	49%	6,483	50%	6,602	50%
Poland	2,641	20%	2,451	19%	2,406	18%
Sweden	1,015	8%	996	8%	1,013	8%
United Kingdom	784	6%	672	5%	662	5%
Rest of Europe	687	5%	858	7%	839	7%
America	1,113	9%	1,157	9%	1,247	9%
Mexico	504	4%	423	3%	421	3%
Brazil	220	2%	250	2%	294	2%
US	203	2%	301	2%	325	2%
Rest of America	186	1%	183	1%	207	2%
Rest of the world	472	3%	440	3%	410	3%
Total	13,284		13,057		13,179	

At CAF, talent management is a key factor in the organisation's success. The attraction, development and retention of talent are therefore critical phases for the Company. As a global company, CAF has a specific appointments activity, included in the people management process, which defines the common corporate framework for appointments and internal mobility made up of a first phase consisting of approval of the appointments plan, a selection process that can be both internal and external, recruitment and, lastly, the onboarding plan. This process guarantees equal opportunities as regards access.

CAF is currently carrying out a series of activities to provide adequate resources to the different activities in the different geographical areas, of which the main ones are: presence at national and international job fairs, open days, and the publication of vacancies on various employment platforms, social media and the corporate portal.

During 2021, 1,701 recruitment processes were carried out in the Group's different activities. It should be noted that growth has been mainly in Europe in absolute terms and the highest relative growth has been seen in the Americas and Rest of the World. The details of this process are shown below:

New hires

	2021	
	Number	Rate ²²
By gender		
Male	1,412	13%
Female	289	14%
By age		
Under 30 years of age	627	36%
Between 30 and 50 years of age	934	10%
Over 50 years of age	140	6%
By region		
Europe	1,155	10%
America	439	39%
Rest of the world	107	23%
Total	1,701	13%

Non-voluntary departures account for 2% of the total workforce (in 2020 and 2019 they accounted for 2.5%). In relative terms, the rate of non-voluntary departures is the same for both men and women, the highest rate is concentrated in the over-50 age group and the Americas is the region with the highest number of non-voluntary departures as a proportion of the active workforce at year-end.

Non-voluntary departures

	2021	
	Number	Rate ²³
By gender		
Male	211	2%
Female	41	2%
By age		
Under 30 years of age	39	2%
Between 30 and 50 years of age	117	1%
Over 50 years of age	96	4%
By professional group		
Employees	132	2%
Worker	120	2%
Total	252	2%

²² New hires/workforce at the end of the period.

²³ Non-voluntary terminations/employees at the end of the period.

Quality employment

CAF is committed to quality, stable employment. Employee experience and knowledge constitute one of the cornerstones of CAF's competitive position in all its current activities. The percentage of permanent staff at the end of the period in the CAF Group was 91%, representing a stable trend compared to 2020 (92%). For women, the percentage is 90%, the same as in 2020 (90%). Similarly, the percentage of the permanent workforce according to professional category (employees²⁴ and workers) exceeds 91%, again remaining stable with respect to the previous year (in 2020, 92%). These figures demonstrate that permanent employment with the Group has remained stable in recent years²⁵.

Workforce by type of contract (At year-end)

	2021				2020				2019			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%										
By gender												
Male	10,316	92%	919	8%	10,291	93%	789	7%	10,077	89%	1,186	11%
Female	1,836	90%	213	10%	1,783	90%	194	10%	1,663	87%	253	13%
By age												
Under 30 years of age	1,284	74%	462	26%	1,366	77%	419	23%	1,422	71%	571	29%
Between 30 and 50 years of age	8,631	94%	588	6%	8,560	95%	490	5%	8,344	91%	795	9%
Over 50 years of age	2,237	96%	82	4%	2,148	97%	74	3%	1,974	96%	73	4%
By professional group												
Employees	6,219	92%	575	8%	5,850	92%	536	8%	5,587	90%	622	10%
Operators	5,933	91%	557	9%	6,224	93%	447	7%	6,153	88%	817	12%
By region												
Europe	10,950	94%	749	6%	10,601	93%	859	7%	10,188	88%	1,334	12%
America	826	74%	287	26%	1,127	97%	30	3%	1,206	97%	41	3%
Rest of the world	376	80%	96	20%	346	79%	94	21%	346	84%	64	16%
Total	12,152	91%	1,132	9%	12,074	92%	983	8%	11,740	89%	1,439	11%

²⁴ The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.

²⁵ The annual average number of part-time contracts is not broken down by gender, age and professional classification, as they do not represent a significant proportion of the Group's workforce with a representation of less than 1%.

**Workforce by type of contract
(Average workforce)**

	2021				2020				2019 ²⁶			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
By gender												
Male	10,278	93%	824	7%	10,183	91%	957	9%	9,498	89%	1,157	11%
Female	1,813	90%	198	10%	1,724	89%	218	11%	1,586	87%	243	13%
By age												
Under 30 years of age	1,187	75%	406	25%	1,272	73%	466	27%	1,233	70%	529	30%
Between 30 and 50 years of age	8,616	94%	534	6%	8,442	93%	634	7%	8,103	91%	782	9%
Over 50 years of age	2,288	97%	82	3%	2,193	97%	75	3%	1,748	95%	89	5%
By professional group												
Employees	6,065	96%	548	4%	5,716	91%	578	9%	5,329	90%	579	10%
Operators	6,026	96%	474	4%	6,191	91%	597	9%	5,755	88%	821	12%
By region												
Europe	10,742	94%	745	6%	10,434	91%	1050	9%	9,461	88%	1,293	12%
America	964	84%	181	16%	1,141	97%	35	3%	1,271	96%	49	4%
Rest of the world	385	80%	96	20%	332	79%	90	21%	352	86%	58	14%
Total												
	12,091	92%	1,022	8%	11,907	91%	1,175	9%	11,084	89%	1,400	11%

The generation of quality employment also implies the need to organise work in accordance with the labour legislation of each country and the applicable collective bargaining agreements. Each Group company therefore determines matters relating among other things to working hours, rest periods, work calendars, holidays, special leave and leave of absence, as well as social welfare benefits in accordance with market practices, such as contributions to pension funds and medical insurance. This is included in the defined labour relations policy applicable to the Group. Also, each company establishes measures aimed at facilitating the work-life balance, certain of which relate to the regulation of working hours, which are generally monitored by means of the clock-on/clock-off register.

A significant development in 2021 was the regulation of remote work in some of the most relevant legal entities. This new regulation allows for certain activities to be carried out from home, on a voluntary basis and to a greater or lesser degree depending on the situation, mainly related to work-life balance. It also includes measures concerning the right to digital disconnection.

● The training and evaluation process as a cornerstone of professional development

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

In order to ensure that the training plan is efficient and effective, three main blocks of activity have been defined within the process, which are monitored regularly using a series of indicators. The initial phase consists of carrying out a training needs assessment, integrating both the vertical perspective of each function, as well as the horizontal perspective in cross-cutting training subjects (for example: occupational health and safety, quality, product safety, regulatory compliance, etc.). Once this training plan has been approved and announced, it can begin to be implemented and assessed on three levels (satisfaction, effectiveness and annual review) so that it can be brought further into line with the activity's priorities and rendered more effective.

²⁶ Data recalculated on the basis of the methodology applied in 2020 and 2021.

This process has been systematically reviewed over the years under a dynamic of continuous improvement, integrated into process management in some cases and always in response to the activity's needs.

In 2021, further progress has been made in the deployment of a more flexible learning model by combining different formats. The development of content on the "CAF E-learning" platform, launched in 2020, has been promoted. During 2021, face-to-face training coexisted with virtual training, complying with the health measures required at any given time as a result of the health crisis. Asynchronous access to training content has also been made possible.

At Group level, more than 210,000 training hours were received²⁷, with each person having received an average of 18 hours of training, five more than in the previous year. In terms of gender, women have received four hours more training than men. The average number of training hours for employees has been higher on average, receiving 22 hours of training, eight hours more on average than workers.

	2021		2020		2019	
	Total hours	Average hours per person				
By gender						
Male	171,848	17	-	-	-	-
Female	38,934	22	-	-	-	-
By professional group						
Employee	125,547	22	14	15	15	15
Worker	85,235	14	12	19	19	19
Total	210,782	18	13	17	17	17

Similarly, the results of satisfaction and the effectiveness of all training actions exceed the objectives set for the 2021 period, standing at 8.77 and 8.67 points, respectively²⁸.

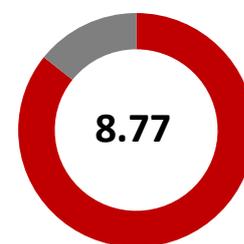
Integrated in the same process is the performance evaluation as one of the elements that stimulate the development of the people in the organisation. Eighty-five percent of people from both the parent company and all national and international companies²⁹ have received an evaluation, following the defined systematic approach. The distribution of assessed workers according to gender and occupational groups, 79% of women have received an assessment and 86% of men. In addition, 88% of the workers have been assessed by 2021, as well as 83% of the employees.

The corporate people management process defines a model for assessing both general and technical competencies associated with each person's position. In addition, university graduates and middle management are included in an evaluation system through which individual objectives are set for them. Throughout 2021, evaluation processes have been launched in all of the Group's main activities and will continue to be rolled out in the following period. The evaluation processes launched have been adapted to the needs of the different activities and groups.

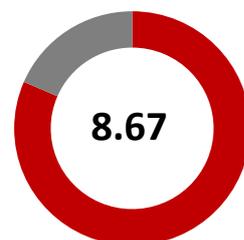
It highlights the new evaluation process deployed in the activity linked to railway rolling stock. The new model aims to align all people with the values by deploying specific behaviours according to the type of responsibility in the organisation. It also aims to clarify what is expected of people and what their contribution to the objectives is.

In this chapter and in different Group activities during 2021, actions have been undertaken to promote leadership for people and project or programme managers. The programmes aim to clarify the role as a leader and improve communication or team management, among others. In addition, development tools such as coaching and mentoring are incorporated.

Training Satisfaction



Training Effectiveness



²⁷ Data representative of 92% of the CAF Group workforce.

²⁸ Data relating to those sites where the system of evaluation of the training received is implemented.

²⁹ Data relating to those sites where the performance appraisal system is in place.

In addition, as in the previous period, various training actions were carried out this year to align the people management systems required by the Group's activities in the transformation programmes being undertaken and in the integration processes underway.

● Internal mobility as a development tool

In addition to providing flexibility to respond to the needs of ongoing projects, internal mobility is regarded as a fundamental tool for the development of employees during their working lives. Mobility is facilitated through training programmes included in the training plans as well as through ad-hoc training activities designed to provide people with the skills they need to take on new responsibilities. All the main activities of the CAF Group include internal mobility processes.

A variety of exercises have been carried out with a medium-term perspective to identify talent with potential, and they will continue this year with the aim of ensuring that the Group has people equipped to meet the challenges of the different activities.

The main activities in 2021 were the publication of internal vacancies in some of the Group's main activities and the definition of career plans related to the evaluation processes. In this area, as well as defining and deploying development plans, an initiative was launched to define career plans with a medium-term vision as specified in some of the potential itineraries: leadership of people and projects/programmes, functional versatility and technical specialisation.

● Social dialogue

With respect to the organisation of social dialogue, we should mention the permanent communication between employees, their representatives and the Company with a view to discovering their interests and expectations and reaching agreements that benefit all parties. The procedures for informing and consulting employees and negotiating vary across the Group, which provides greater flexibility to use the most appropriate routes based on the traditions and customs in each region and legal jurisdiction.

All the employees of the Parent Company and the Spanish subsidiaries of all the Group's business lines are covered by industry-specific or company-specific collective agreements, which together are generally applicable to all employees. At the international level, collective bargaining on different issues (pay, working time and working hours) is also noteworthy in different geographies. Eighty-nine percent of the CAF Group's workforce is subject to collective bargaining or regulations. Meanwhile, the Group's workforce under a collective bargaining agreement stands at 70% with the breakdown by region as shown below.

Percentage of employees covered by collective bargaining agreements by country

Europe		73%
	Spain	100%
	Sweden	100%
	United Kingdom	32%
	Rest of Europe ³⁰	19%
America		41%
	Brazil	100%
	Mexico	80%
	Rest of America	29%
Rest of the world		14%

³⁰ Significant countries by headcount such as Poland and the United States are not covered by collective agreements and are included under the respective headings Rest of Europe and Rest of America.



Additionally, various initiatives were carried out in 2021 to promote extended, systematic and agile internal communication in line with current customs.

In 2021 work commenced on the definition of a manual for the development of the General Communication Policy approved in 2020. This manual will include the internal communication guidelines revised in 2021. Applicable to all CAF Group companies and activities, these general internal communication guidelines aim to ensure consistency in matters of internal communication, guaranteeing that everyone has access to relevant up-to-date information and that fluid and constant interactions take place, both face-to-face and indirectly, at all levels of the organisation.

Additionally in 2021, internal communication plans were deployed at different levels in conjunction with e-learning activities and the implementation of collaborative tools.

Furthermore, with the aim of facilitating channels and ways for fluid interaction to take place and ensure that each person in the organisation has constantly updated information, in 2021 the Group continued to make intensive use of the corporate internal communication application available to all CAF employees, providing remote access to relevant information at all times. As a supplement to this dynamic tool, in 2021 the Group launched a fortnightly news bulletin sent to all employees.

As in 2020, direct communication activities continued to be promoted both in virtual and face-to-face format. Employees' perceptions of communication matters are systematically collected.



4.2 Diversity and equal opportunities

[MA 202, 202-1, MA 405, 405-1, MA 406]

● Equal opportunities

One of the cornerstones 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 of men and women to equal treatment and opportunities. To this end, the Group actively rejects any direct or indirect discrimination, especially gender discrimination, defends and actively applies the principle of equality between men and women in the workplace, and is making progress in introducing measures to favour the work-life balance.

The CAF, S.A. collective bargaining agreement (for the Beasain, Irún and Madrid centres) seeks to promote the access of women to employment and the effective implementation of the principle of equal treatment and non-discrimination in working conditions between men and women.

Recruitment and selection processes guarantee the same access opportunities, upholding non-discriminatory principles through recruitment drives open to everyone, the use of objective selection requirements and without taking into account situations not related to the job. In 2021 women represented 17% of new hires to the CAF Group, raising the overall presence of women in the Group's workforce to 15%.

Likewise, equal access to training is guaranteed for men and women in order to promote career development and adaptability to job requirements, thus improving internal employability.

The Group is committed to promoting equal opportunities through internal policies and strategies, and to ensuring that employees have the same opportunities to develop their potential. Consequently, it adopts the appropriate measures and decisions in response to any action that might constitute or cause gender discrimination.

In order to maintain comprehensive control of these commitments and their respective initiatives, at year-end all Group companies comply with the legal regulations regarding the development of equality plans³¹ and they have different management mechanisms such as the action protocol in case of sexual harassment or gender harassment and equality committees on which the Company and employees are represented, the aim of which is to prevent and, where applicable, resolve cases of sexual harassment and gender-based discrimination. Noteworthy due to its size at the Parent Company is the existence of an equality commission that is responsible for the preparation, implementation and monitoring of equality plans and analysing possible measures and actions to contribute to the work-life balance. This commission analyses and monitors equality indicators each year, analysing issues such as periodic monitoring of selection processes, monitoring of staff who request and/or avail themselves of the work-life balance measures that apply to the headcount as a whole, broken down by gender, and monitoring of the promotion system for operators and employees.

Similarly, in recent years the Company has been taking steps to disseminate the equality plans and sexual and gender-based harassment protocols internally through the usual means, and to promote the use of egalitarian and inclusive language both in internal and external communications.

The principles of non-discrimination and equal opportunities applied at the CAF Group are included in the Code of Conduct. In 2021 five cases of gender-based harassment were reported, leading to the relevant internal investigation, management and resolution in line with the pertinent employment measures. One such case was detected in 2020.

³¹ The companies affected have started adapting their equality plans to Royal Decrees 901/2020 and 902/2020.

● Remuneration and gender pay gap

Remuneration is set and managed at the CAF Group on the basis of the remuneration management policy applicable to the Group. The purpose of this corporate regulation is to ensure that remuneration is addressed appropriately in terms of internal consistency while taking into account external competitiveness and the alignment of remuneration with the challenges and needs of the lines of business. The Group usually refers to information prepared by specialist consultants to establish salary levels on the basis of the market and role.

These general criteria have given risen to appropriate remuneration levels and in 2021 the average remuneration of employees³² amounted to €38,353.28.

Average Remuneration (2019 ³³ –2021)			
	2021	2020	2019
Average remuneration	38,353.28€	37,015.01€	36,355.22€

The gender pay gap³⁴ is negative (-0.5%) for all Group activities since the average remuneration for women as a whole is higher than that for men.

Average remuneration by gender, age and employee category				
	2021		2020	2019
	Average remuneration €	Gender pay gap ³⁵	Gender pay gap ³⁶	Gender pay gap
By gender				
Female	38,502.40 €	(0.5%)	(0.2%)	0.3%
Male	38,326.09 €			
By age				
Under 30 years of age	24,212.57 €	(8%)	(8%)	(5%)
Between 30 and 50 years of age	39,154.81 €	(5%)	(5%)	(2%)
Over 50 years of age	45,813.57 €	7%	4%	(1%)
Professional group				
Employee	45,825.83 €	16%	16%	15%
Worker	30,530.71 €	10%	27%	20%

The average remuneration by age at the CAF Group reveals a correlation between age and remuneration earned, as shown in the table. Likewise, in terms of the gender pay gap, if we analyse the data by age group it is negative (-8%) in the under 30 years of age segment and the remuneration of women is higher than the remuneration of the men. The gap is also negative in 30–50 years of age segment (-5%). However, in the over 50 years of age segment women's remuneration is lower, with a positive gap of 7%.

Remuneration in the CAF Group for professional groups is organised into two broad categories: employees³⁷ and workers. The average remuneration for employees is €45,825.83 compared with

³² All annual fixed remunerative items for full-time employees available to all the Group's employees were used. Variable concepts were not included since they are treated as non-material due to the amount they represent over the total (less than 2%). The average exchange rate for the year was used to translate the data to euros.

³³ The data on the gender pay gap for 2019 are as published in the Non-Financial Information Statement for 2019.

³⁴ The gender pay gap was calculated on the basis of all employees, including senior management and executive directors.

³⁵ (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.

³⁶ The gender pay gap for 2020 has been recalculated to include the remuneration of senior management and executive directors.

³⁷ The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.

€30,530.71 for workers. In both cases the pay gap is positive, as in previous periods. In the employees' category the pay gap is 16%, remaining stable compared to previous periods. The pay gap in the workers' category is lower, at 10%. This reduction is due to changes in the configuration of the women's group within the workers' category following adaptation to the labour regulation implemented in Mexico in 2021.

If we analyse the data by groups, length of service is a one of the factors affecting the gender pay gap. On average, men's length of service across all CAF activities is 25% higher among employees and 26% among workers.

General pay gap by gender, professional group and length of service

2021		
Professional group	Gender pay gap ³⁸	Difference in length of service ³⁹
Employee	16%	25%
Worker	10%	26%

The data relating to the pay gap are also influenced by the asymmetrical nature of the gender distribution of the various socio-demographic groups. While the average remuneration of women is higher than the total average remuneration of the men, when the averages of both groups are compared by professional category, remuneration is lower both in the employees' category and in the workers' category. This is because there are fewer women than men (women account for 15% of the total) and their distribution by professional group is asymmetrical.

Distribution of the workforce by professional group and gender (At year-end)

2021		
Professional group	Female	Male
Employee	88%	44%
Worker	12%	56%
Total	100%	100%

This is due to the fact that the majority of women belong to the employees' category (specifically 88%) and the average remuneration for this category is higher than that of the workers' category. Meanwhile, 56% of the men at CAF belong to the workers' category, the average remuneration of which is lower than that of the employee's category.

In any case, the collective agreements in force, together with the regulations relating to remuneration applicable at the CAF Group companies, nevertheless guarantee equal treatment by setting salary conditions without taking gender into account.

The treatment of remuneration of the Parent's directors responds to transparency criteria applicable to a listed company. In this regard, the details and individual breakdown of the conditions for the group of directors, which includes the only female senior executive, are reflected in the remuneration report prepared for this purpose and published in accordance with the regulations in force. In addition, the remuneration of the other members of senior management is included in the Annual Corporate Governance Report of Listed Companies.

³⁸ (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.

³⁹ (Average Length of Service of Men by Group – Average Length of Service of Women by Group) / Average Length of Service of Men by Group.

● Universal accessibility

With a view to encouraging diversity, CAF respects universal accessibility by taking into account criteria that enable both its working environment and its manufactured products to respect human diversity and to be safe, healthy, functional, understandable and aesthetically pleasing.

CAF promotes physical access to its facilities by ensuring that all new investments in industrial buildings and services, and all refurbishments and fitting out of general service facilities are conducted pursuant to the accessibility regulations and standards of the location.

As regards the accessibility of its products and services, CAF's priority from the design stage is the accessibility of its products and services to guarantee universal use for the entire population. The designs must be usable, without special adaptations or modifications, by disabled and able-bodied people alike.

All products manufactured by CAF are designed to meet, and in some cases exceed, the accessibility requirements laid down in the legislation of each country in which tender processes are held, as well as the requirements of reference EU legislation.

Railway rolling stock manufactured by CAF meet the requirements set out in the 2014 EU technical specifications for interoperability relating to accessibility for persons with reduced mobility, while urban buses are built in accordance with the specifications indicated in Annex IV of Directive 2007/46, which creates a framework for the approval of motor vehicles, recently amended by EU Regulation 2017/2400. These provisions include the requirements of Regulation No. 107 of the Economic Commission for Europe of the United Nations (UNECE) on uniform provisions concerning the approval of category M2 or M3 vehicles with regard to their general construction and in particular their accessibility for passengers with reduced mobility.

CAF's extensive experience in the implementation of accessibility projects enables the Group to offer maximum quality in this regard, guaranteeing ease of use, since any passenger can use its transport without the need for prior experience, usability, as the vehicles' access points are perfectly signposted and there are mechanisms that ensure that all types of passengers can use them, and simplicity, since physical ability or disability does not affect the user experience.

In terms of information accessibility, CAF is firmly committed to the accessibility of its website, and wants its contents to reach as many users as possible, regardless of their disability status. For this purpose, it uses standard technologies established by 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 viewed on various devices and platforms and also enables its content to be printed properly.

Lastly, it should be noted that the CAF Group meets the requirements of the legislation relating to the rights of people with disabilities and their social inclusion in each country. This is achieved through the direct hiring of workers with a certified disability⁴⁰ and through the adoption of alternative measures envisaged in current legislation.

⁴⁰To comply with the legal obligations in this area, as well as the alternative measures, CAF's headcount includes 85 employees with a certified disability (2020: 98).

4.3 Respect for Human Rights

[102-12, MA 407, MA 408, MA 409, MA 411, MA 412, 412-2]

In addition to committing to the strictest respect for the law in force in all the territories in which it carries out its activities, the CAF Code of Conduct and Sustainability Policy include a commitment to adopt measures that ensure scrupulous respect for fundamental rights, the principles of equal treatment and non-discrimination and any other principles included in the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact, which CAF, S.A. has joined.

Risks associated with respect for Human Rights can arise in various areas such as people management, the environment, operations, business ethics and others.

Without prejudice to the management of Human Rights matters in every area and in accordance with the circumstances, CAF has adopted measures that are systematically applied in two ways: (i) due diligence in the field of business ethics, by implementing due diligence mechanisms that enable respect for Human Rights to be managed in the framework of each project and contract in which a CAF Group company takes part, and also with the third parties with which CAF Group companies have a relationship; and (ii) people management, which is implemented through the corporate people management process, which includes employment and occupational risk prevention policies, and ensure achievement of commitments in this regard in all the Group's activities.

The following risks have been identified that might jeopardise the fulfilment of these commitments: (i) violation of the principles of equality and/or non-discrimination in the workplace; (ii) a lack of freedom of association or the right to collective bargaining at own and/or third-party workplaces; (iii) child exploitation at own and/or third-party workplaces; (iv) forced labour at own and/or third-party workplaces; (v) violation of the rights of indigenous peoples; (vi) psychological harassment; (vii) insufficient integration of people with disabilities; and (viii) other risks that are analysed on a case-by-case basis depending on the particular features of the project in question.

The impacts resulting from these risks could give rise to fines relating to occupational safety and violation of Human Rights, in addition to damaging the CAF brand image and reputation due to such violations being reported in the media. The former has a short-term impact; the latter, however, have an impact in the medium term since they materialise more gradually.

The management and control of Human Rights risks are included in the framework of the ongoing implementation of the Risk Management, Corporate Compliance and Control System.

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

The requirement regarding compliance with Human Rights is a priority in all CAF Group activity in 2021 the Due Diligence Procedure of the CAF Group in relation to Human Rights due diligence procedure was reviewed and updated by the Compliance Function to ensure more efficient management and control of the related risks and, specifically, to verify the possible existence of international sanctions that must be taken into account in carrying out different activities of the CAF Group.

In line with this corporate procedure, all potential projects (defined as any business activity) must be systematically evaluated in advance so that the CAF Group can ensure that its participation does not give rise to a breach of Human Rights, either through its own activities or as a direct result of its operations, or due to the sale of its products or the services provided.

In the design of the procedure all the recommendations and indications of the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights were scrupulously followed. In particular, since its initial approval the procedure has maintained a key difference in the approach to risk assessment in this area insofar as the risks analysed necessarily include the interests of the affected parties, i.e. the holders of Human Rights, rather than only the Company's interests).

At the same time, all third parties that enter into contracts with CAF Group companies are required to, inter alia, scrupulously respect the law, Human Rights, public freedoms and Fundamental Rights, the principles of equal treatment and non-discrimination, protection against child labour and any other principles included in the UN Global Compact's Universal Declaration of Human Rights and in the UN Global Compact in relation to Human Rights. Thanks to the application of the internal procedures established, no Human Rights violations arising from the CAF Group's involvement in any project were detected in 2021.

Meanwhile, following on from the report in the 2020 Non-Financial Information Statement concerning a project in Jerusalem that led to a complaint about CAF to the National Point of Contact ("NCP") based on an alleged misapplication of the OECD Guidelines, at the end of 2021 CAF was still awaiting the approval of the final report by the NCP.

In any case, CAF agreed to cooperate at all times with the NCP and claimed that there had not been any breach of either the OECD Guidelines or Human Rights in general, but rather that the utmost caution and due diligence had been employed in the application of its internal compliance procedures. More specifically, the potential risks linked to the CAF Group's activity in this project were reviewed on several occasions, as was their management in accordance with the procedure described above.

In 2021 no Human Rights violations were detected among the workers employed by the Group directly or through business relationships. Matters relating to non-discrimination and equal opportunities are detailed in the chapter on the working environment.

The following table summarises the monitoring and evolution of Human Rights procedures in CAF Group over the last three years:

	2021	2020	2019	Objective
No. of complaints received	0	1	0	0
Cases of Human Rights violations detected	0	0	0	0
Projects analysed from a Human Rights perspective (%)	100	100	100	100

The CAF Group has also undertaken awareness raising and training activities on the commitments adopted in this area among the Group's employees in the framework of general Compliance training.

However, to promote an improvement in these aspects, the Group is currently developing a new e-learning module to standardise internal training on due diligence at the corporate level and to offer specific training on Human Rights Due Diligence.

As regards the area of Human Rights relating to people management, the corporate people process mentioned above establishes, by means of the Labour Relations Policy and the guidelines implementing it, certain minimum requirements to ensure internal consistency in matters such as employment legislation, collective bargaining and the elected representative of the employees, Fundamental Rights, the principles of equality and non-discrimination and hiring and Social Security.

The CAF Group adopts the measures it deems necessary to guarantee both in its own operations and upstream, among its suppliers.¹, compliance with the provisions of the fundamental conventions of the International Labour Organisation (ILO) relating to:

- The ability of workers to exercise their rights to freedom of association and collective bargaining in all the countries in which they carry out their activities;
- Avoidance of child labour, forced or compulsory labour, and the assignment of hazardous work to young people. In this regard, in application of the declaration against slavery and human trafficking of the Modern Slavery Act approved in 2015 in the United Kingdom and the Modern Slavery Act of 2018 approved in Australia, respectively, CAF publishes an annual report on the prevention commitments and measures implemented, and where appropriate the elimination of these practices at both CAF and in the supply chain; and

- Equality and non-discrimination in working conditions, prohibiting the adoption of decisions that may lead to direct or indirect discrimination of workers based on gender, origin, including racial or ethnic origin, marital status, social status, religion or convictions, political ideas, sexual orientation, union membership or not, family ties with people belonging to or related to the company, and language.

In relation to this, two specific protocols are defined: (i) the Protocol for action in the event of sexual harassment or gender harassment, and (ii) the Psychological Harassment Prevention Protocol, included in the Occupational Risk Prevention Management System. Both Protocols include a statement by management in relation to these areas, are aimed at establishing the measures required in order to prevent and avoid the aforementioned situations, and establish procedures so that the Group's employees will know how to proceed in the event that such situations arise.

In 2021 no case involving a breach of Human Rights was detected among the workers employed by the Group directly or through business relationships. Matters relating to non-discrimination and equal opportunities are detailed in the chapter on the working environment.

4.4 Occupational health and safety in the workplace

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

Occupational Health and Safety Policy and Management Systems

The CAF Group management plan includes a strategic initiative entitled "Deployment of commitments in occupational health and safety". One of the most relevant milestones derived from this initiative has been the decision by CAF to give the health and safety of people and the work environment the same importance as the Company's other values, which has led to the definition of a new corporate value of health and safety in the workplace.



"In carrying out your work, take care of your own and other people's health and safety, as well as that of the environment. Before adopting any decision or conduct, first consider the health and safety of people and the environment"

To ensure that this value occupies its rightful place, the corporate health and safety policy includes a vision of health and safety in the workplace, which is worded as follows:

"At CAF we will build a positive preventive culture, through the leadership of management and the chain of command, and with the participation of our people, maintaining safe, healthy workplaces, where our people set an example of self-care and care for others, as well as for the working environment."

CAF management is aware that its activities can generate risks for the safety and health of people, and it is therefore developing actions to build safety by promoting measures to protect people from occupational risks.

In 2021 CAF defined a Corporate Occupational Health and Safety Policy, the main objective of which is to guarantee health and safety, extending to all stakeholders the commitment to people established in the CAF Sustainability Policy, where it undertakes to employ the necessary means to eliminate or reduce occupational risks and promote a preventive culture among all the people who carry out their professional activities at CAF. This policy covers all CAF companies and applies to all Group employees.

In order to implement these commitments, the Corporate Occupational Health and Safety Policy defines the following basic principles:

- Build a positive preventive culture through the leadership of management and the line of command, in consultation with and the participation of employees and workers.
- Establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities.
- Respect current occupational risk prevention regulations in the countries where the Group operates and, as far as possible, anticipate the introduction of new regulations and comply with the occupational health and safety commitments voluntarily acquired by the Group.
- Continuously identify and evaluate the working conditions of the activities carried out to generate safe and healthy work environments.
- Report clearly on the results and actions in the area of health and safety in the workplace, maintaining the appropriate channels to promote communication with employees and workers and with stakeholders in general.

The Group has also drawn up the development manual for the Corporate Occupational Health and Safety Policy to define and specify how the basic principles set out in the policy should be developed through guidelines and actions which the CAF Group must follow to ensure proper implementation. Both the corporate policy and the development manual were developed by the Environmental Forum on Occupational Health and Safety, made up of the different people responsible for managing occupational safety and health in the Group's main activities, and they were subsequently approved by CAF management.

Following the definition of the Corporate Occupational Health and Safety Policy and Manual, the Corporate Forum on Occupational Health and Safety carried out a GAP analysis for all CAF Group activities. Objectives have also been set for each activity, aligned with the policy, and work has commenced on the definition of improvement action plans. These will be continued in 2022 to achieve the stated objectives. Additionally, in 2021 a unified methodology for occupational health and safety risk management was defined for the CAF Group.

One of the principles of the occupational health and safety policy is to establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives. Through the occupational health and safety policies defined in the management systems of the Group's activities, CAF management expressly declares its firm commitment to maintain and improve the systems in a way that guarantees compliance with current legislation, assuming the protection of workers against occupational risks. These policies integrate prevention management into all Group activities and decisions, both in technical processes and in the organisation of the work and with respect to the conditions in which it is performed, boosting integration at all hierarchical levels: executive, management, employee and trade union representative. To this end, the human and material resources necessary to achieve these objectives are made available.

With the aim of achieving zero accidents and improving occupational health and safety conditions, and in accordance with the principles of the occupational health and safety policy, CAF has implemented and promotes the extension of occupational health and safety management systems.

In the field of health and safety in the workplace, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Along these lines, in 2021 the target was achieved, with 52% of the Group's total workforce covered by an occupational health and safety management system certified under the requirements of the ISO 45001:2018 standard (in 2020 the workforce covered was 45%). The objective for 2022 is to extend this certification to other manufacturing plants, such as Solaris Bus & Coach, and to other international subsidiaries of the Group.

Certificate	Field	Scope	2022 target ⁴¹
ISO 45001:2018	Occupational Health and Safety Management	52% of the workforce	>60% of the workforce

Internal audits are conducted every year at all the plants in order to perform an internal follow-up of the management system implemented, or in the process of being implemented, pursuant to the requirements of the ISO 45001:2018 standard, and of the legal requirements applicable according to the legislation in force in each country. Likewise, the list of qualified internal auditors evaluate the effectiveness of the management system and, in particular, the correct application of CAF policies. The results of the internal audits give rise to corrective measures to rectify any non-conformities that might have been identified and measures to improve the management system.

The occupational health and safety management system is structured to facilitate the development, implementation and monitoring of a series of activities which, together, constitute a system for the prevention of occupational accidents, occupational illness and material damage. This management system establishes the management principles and the system procedures and processes that implement the prevention activities.

⁴¹ The target for 2022 is based on the current workforce for 2021.

The management system implemented at CAF not only ensures the health and safety of employees but addresses issues aimed at preventing or mitigating the risks of workers from other companies who carry out activities at CAF facilities, as well as those who visit these facilities. The management system therefore establishes the measures and means of coordination with these companies as regards the application of the regulations on prevention of occupational risks and the coordination of business activities with them. It also includes procedures for managing visits to CAF facilities in terms of information on the risks and prevention measures to be adopted.

● Preventive activities and prevention plans

One of the main activities of the management system is risk assessment, a process aimed at estimating the magnitude of risks that could not be avoided and obtaining the necessary information to adopt preventive measures. Risks for workplaces, job positions and activities, whether related to health, safety, ergonomics or psychosociology, are identified and then assessed. Among others, these risks are the ones that can cause a work-related injury with significant consequences⁴². If the outcome of an assessment reveals situations of risk, preventive and corrective measures are proposed. The measures adopted aim to eliminate or reduce the risk through actions at source, at the organisational level, for collective and/or individual protection, and training and information for workers, or a combination of all or some of these measures. The hierarchy for proposing control measures is as follows, in this order: elimination, replacement, engineering controls, signalling/warning and/or administrative controls and finally the provision of PPE.

Once the risk assessment has been carried out, both employees and workers who are not employees but whose work or workplace is controlled by CAF are informed of the risks arising from the risk assessment, as well as of the safety, prevention, protection and emergency measures to adopt.

The people who carry out the risk assessment process are people all have the necessary training and skills based on the provisions of the relevant legislation in each case. The procedures related to this process designate the team entrusted with the task and describe the methodology and frequency of the process and how to document it.

Another key activity of the management system is the investigation of any accidents and incidents that occur, the purpose of which is to adopt the necessary measures to prevent their recurrence by obtaining data to define the event, identify the hazards, assess the risks and establish the root causes that generated them. The same hierarchy as indicated above is used to adopt the relevant measures and determine the necessary improvements to the occupational health and safety management system.

With regard to occupational health services, CAF has its own prevention service at the plants in Beasain and Irún, offering the specialities of occupational safety, industrial health and health monitoring, as well as a similar service at the Zaragoza plant, which offers occupational safety, industrial health, ergonomics and applied psychosociology. All the other specialities are provided through external prevention services. These services have competent and qualified personnel to carry out the relevant functions, as well as health services authorised by the competent authority in each case to guarantee the provision of a quality service for workers.

CAF P&A also has its own prevention service, offering the specialities of safety, ergonomics and applied psychosociology; CAF Signalling's prevention service offers health, ergonomics and applied psychosociology and health monitoring; CAF T&E's prevention service offers safety, health, and ergonomics and applied psychosociology; and Trenasa and CAF Rail Services have an external prevention service for all specialities. All the other national and international subsidiaries have occupational health services in compliance with the applicable legal requirements in each country.

There is also social dialogue handled through formal worker-company committees in the health and safety area. All Vehicle and Bus manufacturing plants as well as the subsidiaries CAF T&E, CAF Signalling and CAF Rail Services have an occupational health and safety committee made up of

⁴² Work-related injury with significant consequences: work-related injury resulting in death or injury such that the worker cannot or does not fully recover their pre-accident health, or the worker is not expected to fully recover their pre-accident health within six months.

representatives from management, prevention officers, the prevention service and the managers of the activity in question. These committees gather information from the various operating levels and approve the occupational risk prevention plans, with input from workers regarding the definition of the plans. These committees also adopt the appropriate decisions and follow up on the proposed actions, pursuing achievement of the objectives set. The other companies have defined forums for worker consultation and participation which serve as a communication channel with interested parties and through which proposals and significant matters of interest are gathered. Thanks to these mechanisms, 90% of all Group employees are represented in occupational health and safety matters.

The management system framework includes communication tools and channels for reporting hazards and proposing measures and actions to reduce risks and prevent incidents or accidents that may harm the health of employees and workers. Accordingly, specific work and management forums deal with issues related to occupational health and safety, and workers can report hazards either directly and or through their representatives. There are also monitoring and coordination activities, such as planned work inspections where any hazards observed are reported, analysed and assessed to determine the necessary measures to apply before work is carried out, aimed at preventing the occurrence of any work-related incidents or accidents.

Based on collaboration with social agents and social dialogue in matters of health and safety aimed at reducing accidents and improve working conditions at the different plants, every year different lines of action are drawn up for inclusion in the occupational risk prevention plan.

The occupational risk prevention plans of the parent company also set out the guidelines for monitoring and promoting health. The general objective of health monitoring is to improve the quality of the information in the clinical-occupational history related to risk exposures. It is focused on the following lines of action: definition of the specific information to improve, and adaptation of the IT tool to the needs of the clinical history.

The health monitoring activities include procedures for employees and workers who are pregnant or breastfeeding with the general aim of adopting a set of measures aimed to protect these women at work. Specifically, the risk for pregnancy or breastfeeding to which the worker is exposed is determined, a medical certificate is drawn up stating whether the conditions of the job position have a negative influence or not on the health of the worker, foetus or infant, and recommendations are established regarding the adaptation, limitation, change of job position or application of the risk allowance during pregnancy.

There are also procedures for handling situations where workers are especially sensitive to risk factors in the workplace or have psycho-physical limitations in order to assign them to jobs that are suitable to preserve their health and/or safety and that of third parties.

Regarding the risks derived from the supply of equipment or materials for integration into CAF manufacturing process, CAF's commercial relations with its suppliers include control mechanisms and procedures to identify and assess these risks and define prevention and protective measures to reduce or eliminate them.

Occupational health and training for workers is based on the risks identified in the risk assessments carried out for each job position and is included in CAF's annual training plan. The onboarding programme for new hires includes a training/information process on the risks, prevention measures, protection and emergency measures to be adopted in the workplace. Workers also receive specific training in occupational risk prevention based on their tasks and the risks to which they are exposed.

Regarding health promotion activities, the objective is to collaborate with the national health system in promoting healthy lifestyles that improve the physical and mental well-being of workers. The parent 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 focus on encouraging a healthy diet and physical exercise, the prevention of infectious diseases, medical check-up, and training and information in the area of first aid, health and ergonomics. All the Group's subsidiaries also carry out health promotion activities with campaigns to encourage and offer guidelines to workers on the acquisition of healthy lifestyles at work and in their personal lives.

In line with one of the basic principles of the Corporate Occupational Health and Safety Policy, related to building a positive preventive culture, in 2021 the culture project continued in the manufacturing plants of the parent company after carrying out a diagnosis and defining a plan to improve and develop the preventive culture launched in previous years. The first step in 2021 was to implement the plan, prioritising the definition of the occupational health and safety model to be shared across the entire organisation. This exercise led to the definition of the occupational health and safety vision and value, and the drafting of the Corporate Occupational Health and Safety Policy. The current systems were also reviewed to ensure that they are conducive to generating a preventive culture within the organisation. This action plan will be continued in 2022.

With regard to all the other Group activities, the GAP analysis conducted in relation to the Corporate Occupational Health and Safety Policy led to the definition of the policy objectives and improvement action plans are also being defined. These plans include actions to improve the level of preventive culture, which will be carried out in 2022. The indicator used to determine the level of preventive culture is the preventive culture index, which is obtained from the Nordic Occupational Safety Climate Questionnaire (NOSACQ-50). The value of the preventive culture index remains at 2.8 as there is no measurement in 2021. The objective is to exceed the value of 2.9 for this index, and it is planned to extend the scope of this diagnosis to other Group activities.

Regarding the management of the pandemic caused by the SARS-CoV-2 coronavirus (COVID-19), and maintaining the objective of first and foremost protecting workers from the risk of exposure to this agent, in 2021 the Group monitored the epidemiological situation and the incidence of cases at each plant and location to adopt and implement the necessary preventive measures at all times, updating and communicating the action protocols when necessary to reduce the risk of infection among workers. Communication and information actions were carried out through the communication channels available within the CAF Group on the rules to observe in relation to the preventive measures implemented, and follow-up activities were conducted to verify and ensure compliance.

Depending on the epidemiological situation, different actions were carried out to ease the measures implemented. Specifically, measures were eased in offices and dining rooms reopened. In the case of employees working from home, these members of staff were given the necessary means and equipment to reduce the ergonomic risks to which they may be exposed, and they also received training on the risks of this working method and the preventive measures to implement to reduce those risks. Regarding the opening of the dining rooms, specific protocols for their use were drawn up and communicated to employees to reduce the risk of infection inside these spaces.

Making an assessment of 2021, bearing in mind the effect of COVID-19 on the CAF Group's main activities, the preventive measures implemented in managing the pandemic could be considered to have been effective as they have allowed the Group to continue with its activity, while ensuring compliance with the minimum health and safety conditions established in the work places.

Occupational risk prevention in figures

The occupational risk prevention plans are implemented annually and define the annual programme of preventive activities and occupational health and safety objectives.

In relation to the accident rate objectives, three main indicators are measured: the frequency index, the severity index and the absolute frequency index. The table below shows these indicators for CAF Group employees, the most significant national and international CAF Group operations, and the number of occupational illness cases identified.

	CAF Group (CAF employees) ^{43,44}								
	2021			2020			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Frequency rate ⁴⁵	19.68	2.20	17.28	20.09	4.28	17.98	23.41	4.10	20.89
Severity rate ⁴⁶	0.46	0.05	0.40	0.50	0.06	0.44	0.51	0.17	0.47
Absolute frequency rate ⁴⁷	68.29	8.43	60.09	72.72	16.71	65.25	86.74	28.69	79.16
Occupational illness rate ⁴⁸	10.60	0.00	9.10	10.74	0.00	9.18	11.74	0.00	10.19

As can be seen in the above table, the accident rate is steadily declining among employees at Group level, both for men and women in all the indicators shown.

The same indicators are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation.

	Workers not employed by CAF ⁴⁹		
	2021		
	Male	Female	Total
Frequency rate	21.74	17.36	20.50
Severity rate	0.47	0.11	0.37
Absolute frequency rate	48.06	26.04	41.82
Occupational illness rate	0	0	0

The work-related injuries for CAF employees recorded in the last three years are shown below.

⁴³ This includes indicators for 91% of the CAF Group's total workforce representing the Group's main activities, excluding those companies whose activities are mainly branches and generate less risk. For the coming years, the intention is to continue to broaden the scope of the data reported.

⁴⁴ The number of hours worked in the indicated scope amounted to 19,904,256. When segregated data by gender were not available, an estimate was made based on the distribution of the headcount.

⁴⁵ $I_F = \frac{\text{Number of accidents with sick leave} * 1,000,000}{\text{Hours worked}}$

⁴⁶ $I_G = \frac{\text{Number of days of work lost} * 1,000}{\text{Hours worked}}$

⁴⁷ $F_2 = \frac{\text{Number of total accidents} * 1,000,000}{\text{Hours worked}}$

⁴⁸ $E_P = \frac{\text{Number of professional illnesses} * 10,000}{\text{Number of workers}}$

⁴⁹ The number of hours worked in the stated perimeter of workers not employed by CAF has risen to 1,219,640. With regard to external companies, no data are available for previous periods because the Group only started collecting information in 2021. In previous years, significant incidents/accidents on CAF facilities were reported and monitored but no statistics were compiled because the volume of accidents was insignificant.

CAF Group (CAF employees)										
		2021			2020			2019		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Fatalities as a result of a work-related injury ⁵⁰	No.	0	0	0	0	0	0	0	0	0
	Rate	0	0	0	0	0	0	0	0	0
Serious work-related injuries (excluding fatalities) ⁵¹	No.	0	0	0	3	0	3	0	0	0
	Rate	0	0	0	0.16	0	0.16	0	0	0
Recordable work-related Injuries ⁵²	No.	1,173	23	1,196	1,216	43	1,259	1,408	70	1,478
	Rate	68.29	8.43	60.09	72.72	16.71	65.25	86.74	28.69	79.16
Occupational illnesses ⁵³	No.	11	0	11	9	0	9	12	0	12
	Rate	10.60	0	9.10	10.74	0	9.18	11.74	0	10.19

The data in the above table indicate a downward trend in accidents among employees at Group level, with a lower number of recordable work-related injuries and no serious injuries in 2021.

The same data are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation.

Workers not employed by CAF				
		2021		
		Male	Female	Total
Fatalities as a result of a work-related injury	No.	0	0	0
	Rate	0	0	0
Serious work-related injuries (excluding fatalities)	No.	0	0	0
	Rate	0	0	0
Recordable work-related Injuries	No.	415	38	453
	Rate	48.06	26.04	41.82
Occupational illnesses	No.	0	0	0
	Rate	0	0	0

The main types of work-related injuries that occurred in 2021 among CAF workers were due to overexertion of the musculoskeletal system, falls and trips, blows and cuts with tools, and particle projections, while the injuries of workers not employed by CAF were due to blows and cuts with tools, and particle projections. No work-related injuries with significant consequences were recorded in 2021.

A common employee indicator at organisations is the absenteeism rate. This indicator measures the hours lost in relation to the theoretical hours. In 2021 this rate was 6.6%⁵⁴ at the corporate level (in 2020: 5.2% and in 2019: 4.6%).

⁵⁰ $\frac{\text{No. of Deaths as a result of work-related injury} \times 1,000,000}{\text{Hours worked}}$

⁵¹ $\frac{\text{No. of serious work-related injuries ("excluding fatalities")} \times 1,000,000}{\text{Hours worked}}$

⁵² $\frac{\text{No. of Recordable Work-Related Injuries} \times 1,000,000}{\text{Hours Worked}}$

⁵³ $\frac{\text{No. of occupational diseases} \times 10,000}{\text{Number of workers}}$

⁵⁴ This absenteeism rate corresponds to 89% of the Group's workforce and takes into account the hours lost due to accidents and illness, amounting to 1,371,597 hours lost. The 2020 figure corresponded to 83% of the Group's workforce and the 2019 figure corresponded to 82% of the Group's workforce.

5

CONTRIBUTING TO THE CARE OF THE ENVIRONMENT

"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 Sustainability Policy
17 December 2020

5.1

Environmental management

5.2

Climate strategy

5.3

Sustainable and efficient mobility

5.4

Circular economy and sustainable use of resources

5.1 Environmental management

[102-11, MA 307, 307-1]

CAF management is aware that the Group's industrial activities have an impact on the natural environment and that it operates in an increasingly challenging environment. In line with the provisions of the United Nations Global Compact for the 2030 Agenda for Sustainable Development, the Group has therefore established a commitment to undertake actions to mitigate the causes of global warming and adapt to climate change by implementing measures that contribute to environmental sustainability.

Accordingly, in 2020 the Corporate Environmental Forum, made up of the environmental managers of the Group's main activities, drew up the Corporate Environmental Policy and Development Manual, which were subsequently approved by CAF management. The main objective of the corporate policy is to define the general principles and criteria that should govern CAF at the corporate level in environmental matters, and to extend the environmental commitments set out in the CAF Sustainability Policy to all stakeholders, based on the view that the environment is a key element of the concept of sustainability and in particular of the development of comprehensive sustainable mobility solutions that are more efficient while being more respectful of the environment. Accordingly, CAF adopts a transparent communication and information strategy to meet stakeholder expectations regarding environmental conservation, the increasingly demanding regulatory requirements and the constant analysis of management by analysts, evaluators and different agents of civil society. The purpose of the two documents is to unify policies, approaches and management tools and define and monitor environmental guidelines across the Group's various activities.

In addition, the principle of environmental care through the prevention of the environment impact of all activities is an integral part of the Group's Environmental Policy, and CAF therefore adopts the necessary and economically viable measures to control and, where applicable, minimise emissions into the atmosphere, waste generation and energy consumption to preserve natural resources.

In 2021, following the definition of the Corporate Environmental Policy and Development Manual, as well as a unified environmental risk management methodology for the entire CAF Group, the Corporate Environmental Forum conducted a GAP analysis with respect to the policy for all CAF Group activities. Objectives were also set for each activity, aligned with the policy, and improvement action plans were drawn up for deployment in 2022 to achieve the stated objectives. The unified methodology for environmental risk management was also deployed in 2021 for all CAF Group activities.

In addition to the Corporate Environmental Forum, CAF has an Environmental Committee, made up of the parent company management and environmental managers, which coordinates and promotes all the actions considered necessary to ensure and improve environmental performance, as well as coordinating aspects related to the Group's environmental management.

Externally, CAF also maintains environmental communications channels open to the exterior in a fluid manner, with public authorities, communities and associations, among others.

One of the principles of the environmental policy is the implementation of environmental management systems the purpose of which is to minimise the environmental impact of operations. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives.

In the field of environmental management, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Along these lines, in 2021, the target was achieved, with 70% of the Group's total workforce covered by an environmental management system certified under the requirements of ISO 14001:2015 (in 2020, 68% of the Group's workforce was covered). The objective for 2022 is to extend this certification to other manufacturing plants and international subsidiaries of the Group.

In all cases, annual internal audits are carried out through which the CAF Group's list of qualified auditors assesses progress in the implementation and certification of the environmental management system, the efficiency of the environmental management system and, in particular, the proper application of CAF's policies, as well as compliance with legal environmental requirements and the customer's environmental requirements, among others.

In order to monitor and improve these management systems, environmental programmes are established with their respective targets, goals and actions. In this way, the centres specifically control the environmental aspects of their activity and minimise the impacts generated, with the aim of continuous improvement.

In addition, concerning the continuing implementation of effective systems for the management and continuous improvement of environmental performance, in 2021 the Group's parent company implemented the environmental management excellence model based on the European Eco-Management and Audit Scheme (EMAS). The objective is to obtain certification for the Group's parent company in 2022.



Performance,
Credibility,
Transparency

Certificate	Field	Scope	2022 target
ISO 14001:2015	Environmental management	70% of the workforce	>70% of the workforce
EMAS	Environmental management	-	Group's parent company

The following environmental risks associated with both the products and services the Company provides and the industrial activities it carries on are identified in this area: (i) use of polluting materials; (ii) non-optimisation of energy consumption and natural resources (electricity, fuel, water, etc.); (iii) pollution of water and soil;-(iv) impact on biodiversity; (v) air pollution and global warming; (vi) impact on natural resources due to inadequate waste management; (vii) environmental impact of products and services on technological development; (viii) noise pollution; (ix) non-compliance with the requirements established by customer specifications; (x) extreme weather conditions related to climate change; (xi) other environmental impacts related to incorrect management of waste and products in production and/or from machinery.

The impacts arising from these risks can result in irreversible damage to the ecosystem and its effect on society, as well as additional operating costs for the CAF Group due to the adverse effects of climate change, derived from poor environmental management, and fines and inspections related to infringement of environmental laws. Although these impacts have a direct short-term effect, the first two impacts mentioned may have a medium-term effect since environmental impacts are lasting. In this regard, it is worth noting that, as in 2020, no provisions or guarantees were recognised for environmental risks, since there have been no legal proceedings or contingencies relating to environmental protection or improvement, or environmental pollution incidents.

The corporate risk control and management system covers environmental risks and provides a series of activities aimed exclusively at managing these risks.

5.2 Climate strategy

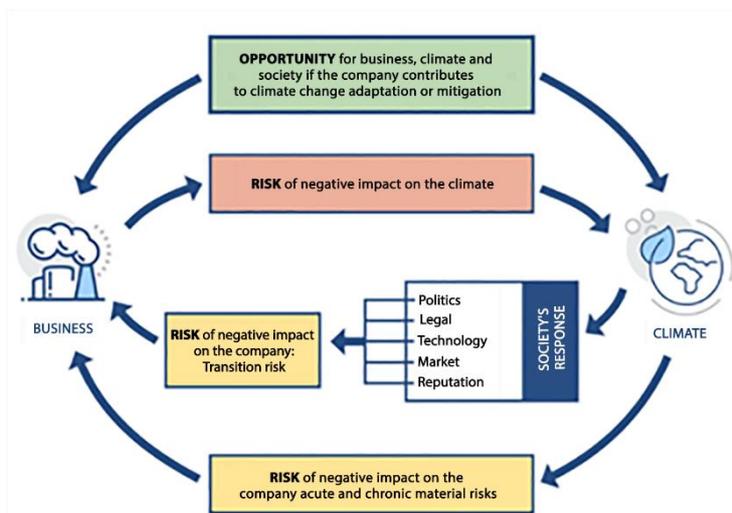
[201-2, MA 305, 305-1, 305-2]

Risks and opportunities derived from climate change

The CAF Group is involved in an internal project to create a framework for managing risks and opportunities in the area of climate change following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the non-binding Guidelines on non-financial reporting: Supplement on reporting climate-related information, published on 20 June 2019 by the European Commission. The project is divided into several phases, the first of which defined the project foundations by analysing the scope, the objectives to achieve and the timeline for the work plan.

In the second phase of the project currently underway the Group is identifying the risks and opportunities of climate change in the short, medium and long term, based on the most up-to-date climate scenarios of the IPCC (AR6, Climate Change 2021: Physical Basis). The main tasks in this second phase are: analyse the sector trends and the risks and opportunities associated with climate change at peer companies, identify climate risks and opportunities for the CAF Group, including their financial impact, and define a methodology to monitor and control them accordingly.

This analysis factors in both physical and transition risks when assessing possible negative deviations from the CAF Group's objectives. The physical risks are classified as acute or chronic, while the transition risks are classified as political and legal, technological, market or reputational risks. The Group also identifies opportunities that could lead to a positive deviation from the CAF Group's objectives, such as more sustainable products and services, more efficient resources and energy sources, and the management of certain risks that could unlock benefits and bring added value to the organisation⁵⁵.



In the final phase in 2022 CAF aims to improve external reporting on this matter by responding to the CDP climate change questionnaire with tasks that will have to include carbon footprint reports and verifications, results of the main climate change risks and opportunities, sustainability plans or strategies, sustainability and environmental reports, and other information on best practices for climate change mitigation and adaptation, as well as the organisation's commitment to achieving net-zero emissions in the long term.

⁵⁵ European Regulation 2019/C 209/01: Guidelines on non-financial reporting: Supplement on reporting climate-related information

Greenhouse gas (GHG) emissions

The main source of direct emissions contributing to the Company's greenhouse gases is CO₂ arising from energy consumption. Meanwhile, studies on the development of more efficient and eco-friendly means of transport show that the use phase has the greatest impact on the product life cycle, particularly the phase associated with energy consumption. Consequently, the Group focuses on gradually reducing the intensity of greenhouse gas emissions in two ways, namely: by improving energy efficiency with respect to manufacturing activities and facilities, and by researching and developing sustainable transport solutions.

In connection with this, the Group analyses the impact of the life cycle of railway products, reflected in the environmental product declarations (EPD) indicated in Section "5.3. Sustainable and efficient mobility".

In order to define climate change strategies focused on reducing CO₂ emissions and promoting renewable energies, in 2021 the Group added the "Net-Zero Emissions" initiative to the Sustainability Plan with the aim of reducing the greenhouse gas emissions generated by its activities.

The action plan to carry out the CAF Group's Net-Zero Emissions initiative includes the following lines of action developed in 2021:

- Adherence to climate change initiatives and the Paris Agreement, SBTi (Science-Based Targets Initiative) and Race to Zero, reinforcing the Company's commitment to the challenge of climate change
- Calculation of the carbon footprint of the entire CAF Group in accordance with the guidelines and approach of the GHG Protocol and the IPCC, and in compliance with the requirements set out in ISO standard 14064:2018 (Scopes 1, 2 and 3 for 2019 and 2020). Through this action, the calculation of GHG emissions developed in previous episodes (2019 and 2020) has been revised, thus improving the calculation performed.

The following actions have been defined for 2022:

- Calculate the 2021 carbon footprint of the entire CAF Group
- Complete the first Carbon Disclosure Project (CDP) report
- Based on the CAF Group carbon footprint (for 2019, 2020 and 2021), the strategic milestones at a global level and the challenges of the sector, start defining the corporate emission reduction objectives for deployment to all Group activities.

To calculate the carbon footprint, the criteria of ISO 14064:2018 and the GHG protocol were followed and a materiality analysis was performed. As a result of this analysis, the following have been taken into consideration:

- Direct emissions (Scope 1): emissions from fuel consumption in stationary and mobile installations, as well as fugitive emissions from the recharging of fluorinated gases.
- Indirect emissions (Scope 2): derived from electricity consumption and thermal energy consumption.
- Other indirect emissions (Scope 3): production and transport of materials to the Group's sites, transport of the product to the customer, waste management and transport, water consumption, in itinere transport of employees and business trips, as well as product use.

The greenhouse gases (GHG) included in the calculations are expressed in equivalent tonnes of CO₂ and refer to emissions of carbon dioxide, methane and nitrous oxide (CO₂, CH₄ and N₂O, respectively), in addition to the hydrofluorocarbons (HFCs) associated with refrigerant gas leaks.

As part of the net zero emissions strategic initiative, during 2021 the Group revised the method used to calculate its carbon footprint. As a result, the calculations carried out for previous years (2019 and 2020) have been revised to include Scope 3 and new items under Scope 1 (i.e. certain manufacturing plants). The emission factors originally considered were also replaced with others that are more accurate as well as more appropriate for CAF's activity and geographic location. For the 2021 financial year, the emissions related to scopes 1 and 2 are shown for the CAF Group's manufacturing plants, where the largest proportion of emissions are centralised.

Field	Scope	t CO ₂ eq 2021	t CO ₂ eq 2020	t CO ₂ eq 2019
Manufacturing plants ⁵⁶	Scope 1	26,230	25,326	29,874
	Scope 2	10,699	16,167	12,434
	Total 1 + 2	36,929 (-11%)	41,493 (-2%)	42,308

In order to reduce CO₂ emissions and in particular indirect emissions (Scope 2) derived from electricity consumption, the parent company has contracted⁵⁷ a 100% renewable energy source with a guarantee of origin for the 2021-2023 period for the parent company's manufacturing plants. Taking into account the calculation of the carbon footprint made with the improvements incorporated, the 2021 emissions derived from Scope 2 have been reduced by 33% compared to 2020.

In relative terms, the following table presents the emission intensity ratio⁵⁸, which includes Scopes 1 and 2:

Emission intensity (t CO ₂ eq. /MHW) ⁵⁹	2021	2020	2019
Emission intensity manufacturing plants ⁶⁰	3.5	3.7	3.3

With regard to the emission of volatile organic compounds (VOC), the CAF Group complies with the legal requirements on the limitation of VOC emissions due to the use of solvents in certain activities⁶¹ and the parent company has reduced its emissions by 35% in the last five years, which is equivalent to a reduction of 364 grams of volatile organic compounds for each square metre of surface area⁶². These results were achieved as a result of the replacement or reduction of the solvents used in the production process. Certain examples of this are the use of water-based paints for painting the trains, which do not contain solvent, and the replacement of glue by self-adhesive in the carpet gluing process.

⁵⁶ Consolidation method: operational control

⁵⁷ With this action, a theoretical reduction of 66% of Scope 2 emissions from the CAF Group's manufacturing sites was estimated, taking as a reference the emissions generated in 2020. To define this objective, the calculation of Scope 2 of the carbon footprint, which was being carried out in 2019 and 2020, was taken into account. By calculating the target in the way it was defined, in 2021 a 71% reduction in Scope 2 emissions from the CAF Group's manufacturing sites has been achieved compared with 2020.

⁵⁸ t CO₂ eq./Man Hours Worked

⁶⁰ Carbon intensity data are included with the new methodology used in the net zero emissions strategic initiative. With the methodology used in the information provided in the 2020 sustainability report, the carbon intensity result in 2021 would be 2.4 t CO₂ eq./MHW.

⁶¹ Council Directive 1999/13/EC, of 11 March, the purpose of which is to prevent or reduce the harmful effects on human health and the environment arising from certain activities that use significant amounts of organic solvents in their manufacturing or working processes, and its transposition into Spanish legislation by means of 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.

⁶² Data relating to the reporting on this matter to the Basque Autonomous Community Government until the date of publication of this report.

5.3 Sustainable mobility and eco-efficient products

Between 1990 and 2017, greenhouse gas emissions from transport increased by around 28% in the European Union. Today, transport accounts for nearly 25% of global CO₂ emissions, with rail transport contributing a mere 0.5%⁶³.

At the same time, due to current urban population growth trends, the collapse of mobility infrastructure has become even more of a problem and the quality of the air in cities has worsened significantly. In order to avoid these problems, the authorities are often taking measures to restrict the circulation of private vehicles.

Faced with this reality, the European Green Deal of the European Commission sets a target of 90% fewer CO₂ emissions from transport by 2050, which will require exceptional efforts in the coming years.

In this context, rail and bus transport, as environmentally friendly and high-capacity means of transport, offer tremendous potential for contributing significantly to this fight against climate change and city congestion, thereby reducing the environmental impact, improving citizens' quality of life and contributing actively to the protection of the ecosystem.

CAF prioritises activities aimed at replacing fossil fuels and reducing the energy costs of transport by providing highly efficient mobility alternatives to point the way to a sustainable, clean, ecological and emissions-free future. Thanks to these efforts, in 2021 CAF was awarded the world's largest contract for battery-powered trains, namely 60 units for the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe).

Meanwhile, the emissions from CAF's electric solutions for rail passenger transport are equivalent to an average of 6.5g CO₂/passenger-km⁶⁴, proving that they are among the most efficient mobility solutions in the transport sector.

In 2019 CAF won the Manufacturer of the Year and Project of the Year (in the under-50 million euros category under) prizes at the Global Light Rail Awards for the supply of six state-of-the-art vehicles for the first catenary-free light rail system in passenger operation in Oceania (Newcastle Light Rail in New South Wales, Australia). Furthermore, in 2020 CAF received a Highly Commended mention in recognition of the outstanding commitment of the workforce in a project related to sustainable mobility: renovation of the Birmingham tramway to incorporate an on-board energy storage solution.

Regarding buses, Solaris's portfolio of emissions-free products have effectively contributed to changing the image of public transport worldwide and in the last three years have received the following international awards:

- 2019 - Smart City Forum (Poland): Award in the Smart Solutions-Smart City Solution category for its innovative electromobility solutions towards zero-emissions in transport.
- 2019 - Top Design Award (Poland): Award for the Solaris Urbino 12 LE Lite Hybrid Bus in the Automotive and Public Transport category.
- 2019 - E-mobility Leader (Poland): Award for its contribution to the development of zero-emissions transport in Poland.
- 2020 - Top Design Award (Poland): Award for the unique and innovative design of the Trollino 24 bi-articulated electric trolleybus.
- 2020 - E-mobility Leader (Poland): Award for its contribution to the development of zero-emissions transport worldwide.
- 2021 - Busplaner Sustainability Award (Germany): Award from one of the most influential sector magazines in Europe for the Solaris Urbino 15 LE electric bus in the Electric Bus category.

⁶³ 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.

⁶⁴ Calculation carried out in 2018.

- 2021, Kielce Trade Fair Medal (Poland): Award for the Solaris Urbino 12 Hydrogen bus as the best product in the bus category.
- 2021 - Sustainable Bus Award (International): The Solaris Urbino 15 LE electric bus received the Sustainable Bus Award (International) in the Urban category. The main motivation of the Sustainable Bus Award is to popularise the idea of sustainability in public transport and build a positive image of public transport as an area that plays a key role in climate change action.

● Main innovations adopted to improve the sustainability of products

The main innovations aimed at improving the sustainability of CAF products revolve around the following areas that apply to all vehicles, both trains and buses: 1) Eco-design methodology, 2) Improvements in energy efficiency, 3) Deployment of sustainable alternative fuels, 4) Increased useful life and recyclability, and 5) Reduction of noise and vibrations⁶⁵.



Eco-design methodologies



CAF has played an active role in the development and implementation of methodologies aimed at transforming the sector from an ecological standpoint. For example, it was a member of the "Life Cycle Assessment Topical Group" of the railway industry association UNIFE, which defined the best ways to implement the legislative and regulatory aspects related to ecology in the different processes of the product life.

In order to offer more efficient and environmentally-friendly means of transport, CAF is currently in the process of implementing the "Product Sustainability Function", introducing eco-design methodologies into the engineering processes to optimise and control environmental impacts of products throughout their 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 its customers.

In 2011 CAF developed the world's first verified environmental product declaration (EPD) for a tram, according to the ISO 14025 standard, for the Urbos Tram in the city of Zaragoza. This environmental impact study was quantified through a life cycle analysis (LCA) in accordance with ISO 14040 and ISO 14044 standards. Since then, CAF has continued to certify products in different segments (tram, metro and regional train) and is currently one of the rolling stock manufacturers with the largest number of registered EPDs.

CAF will finish its first EPDs for the Urbino 18m Electric and Urbino 12m Hybrid buses in March 2022.

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
- URBOS 100 tram for the city of Lund

⁶⁵ Icons made by "Eucalypt", "Good Ware", "Pixel perfect", "Nhor Phai" and "Catalin Fertu" from Flaticon.



Improvements in energy efficiency

Improving the energy efficiency of products and services is a priority challenge for CAF. Some of the measures adopted in its vehicles for this purpose are:

Reduction of energy consumption in traction

Energy recovery in braking

Energy recovery during braking is an essential component in the operation of railway and trolleybus networks because it helps to reduce consumption and achieve high rates of energy efficiency. CAF trains and trolleybuses are specifically designed so that regenerative braking has priority over rheostatic and friction braking. This means that the energy recovered in the braking process is not used by the vehicle itself but is either returned to the catenary for use by another train/trolleybus or is returned to the general electrical grid.

All CAF electric vehicles first use the energy regenerated during braking to power their auxiliary equipment or batteries.

High-efficiency traction equipment

CAF trains, electric buses and trolleybuses incorporate systems to obtain maximum performance from the energy consumed during operation, both in acceleration and braking. The use of highly efficient traction equipment makes it possible to minimise energy loss and optimise energy use.

CAF has developed advanced control strategies for variable flux in motors to minimise energy losses. These control strategies actively manage the motor flow according to the required operating conditions (torque, speed, drift, etc.), therefore reducing consumption when the flow required is lower.

Silicon carbide (SiC) transistor technology is another innovative technology to maximise the efficiency of the traction system and reduce energy losses that CAF is currently rolling out in both trains and buses. These transistors allow higher switching speeds, which reduces power losses. SiC technology can reduce the total energy consumed by a train by between 8 and 10%.

Efficient energy management based on journey times

The driving mode has a decisive influence on the vehicle's energy consumption. The vehicle control system calculates in real time the level of performance that minimises the vehicle's energy consumption based on the characteristics of the route and the target travel time. This information makes it possible to optimise driving from an energy point of view.

The solutions available to the CAF Group in the field of energy-optimised operations are: the DAS (Driver Advisory System) solution described in the previous paragraph and CAF Signalling's AURIGA solution that optimises energy consumption in automatic train operation (ATO).

Reduction of journey times

Several CAF technological developments have delivered new advantages for the general reduction of energy consumption in trains. Systems such as the SIBI smart tilting system allow for higher speed on the bends in a route without loss of comfort for passengers, reducing journey times by 30%. The ability to travel at higher speeds on bends also reduces the need to modify the speed of the trains (brake and accelerate), which contributes to greater energy efficiency.

Modular & customisable accumulation systems

CAF accumulation systems make it possible to: 1) operate vehicles on sections without electricity, and 2) store the energy generated during braking. The equipment is modular and customisable so the accumulation and loading solution can be optimised according to the needs of each customer, thus minimising life cycle costs.

Smart BTMS in battery systems

Operating batteries at temperatures that are either too high or too low has a critical impact on their capacity, the energy available for use and the useful life of the batteries. CAF uses a battery thermal management system (BTMS) in its vehicles for optimal control of battery temperature, therefore ensuring that they operate in optimal conditions and maximising performance and useful life.

Weight reduction

The design of the vehicles is focused on their weight, which is an effective way of optimising energy demand. This objective applies both to the structural elements of the vehicle and to all of the equipment and components, while guaranteeing the highest quality and safety standards. During the vehicle manufacturing process, the mass of the components and of the vehicle itself is controlled to ensure that the planned weight is not exceeded.

Reduction of energy consumption of auxiliary equipment

Maximum reduction of energy consumption can only be achieved through the adoption of global measures that also take into account the auxiliary equipment of trains and buses, the control of their operation and their state of conservation.

Equipment sizing based on real needs

Each project contains an equipment sizing process according to the specific project needs, therefore avoiding the construction of oversized equipment could lead to greater weight and higher consumption than necessary.

Management of energy consumption while stationary

Different operating modes are defined to reduce the energy consumption of the stationary vehicle, such as cleaning, maintenance or parking mode. These modes establish the optimal working conditions for the auxiliary equipment to reduce energy consumption. For example, carrying out an individual control per carriage rather than per train means that only the equipment of certain carriages is active at any given time, according to the needs in case. This measure achieves significant energy savings.

Likewise, the introduction of the "Start/Stop" system in buses significantly reduces fuel consumption and therefore CO₂ emissions.

Management of energy consumption while in service

To reduce energy consumption while in service, CAF has introduced strategies that combine 1) the best use of internally generated energy flows and 2) the operation of the different systems at their optimal operating point. For example, these strategies make optimal use of the energy regenerated during braking by avoiding its dissipation in the form of heat.

Efficient air conditioning

Air conditioning equipment is the second largest consumer of energy in vehicles, second only to traction equipment. To reduce this consumption, CAF uses the high-performance refrigerants and adopts various measures to improve the energy efficiency of the air conditioning system: heat pump, adjustable outdoor air intake depending on the CO₂ level, etc. Likewise, thermal insulation is maximised in the vehicle design to reduce energy losses due to heat transfer between the interior and exterior of the train/bus.

Thermal insulation

To increase the thermal insulation of its vehicles, CAF installs insulating panels on the entire surface of the carbody and establishes maximum values for thermal transmission in components such as windows, doors and corridors. In some contracts, CAF has achieved very low thermal transmission values (eg. 1.1 W/m²K), which is substantially lower than the limits required in the contracts.

But it is not only CAF vehicles that have evolved in recent years to reduce their consumption. With regard to buildings designed by CAF Turnkey & Engineering, the key example is the benchmark design of the tram depot, which includes the following measures to reduce its consumption:

- A green roof to improve the temperature regulation of the building. This improves energy efficiency due to its high water retention capacity (cooling in summer) and the contribution of thermal mass (heating in winter).
- A photovoltaic power plant on the roof.
- A sawtooth roof that creates skylights for natural light to enter the building, therefore reducing electricity consumption and providing a more comfortable and healthy space for workers.

CAF Signalling and CAF Turnkey & Engineering have also carried out a joint development to power track elements installed in remote locations via a photovoltaic energy system and controller batteries. These systems are remotely monitored to guarantee correct operation and ensure their availability and safety in accordance with strict sector requirements.

Deployment of sustainable alternative fuels



In recent years, the CAF Group has poured significant efforts into developing vehicles that operate with alternative fuels to diesel that are more eco-friendly. Key examples are the hydrogen and compressed natural gas (CNG) buses that Solaris has put into service in various European cities. Hydrogen-powered vehicles are considered to be zero-emission as they only emit water vapour into the atmosphere, while CNG vehicles reduce particle and greenhouse gas emissions. In 2020 Solaris received the Global e-Mobility Leader Award for its contribution to the development of zero-emission transport around the world.

With regard to trains, CAF is developing a prototype hydrogen-powered train with the aim of testing it on track by 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 it has significant funding from European funds (around 10 million euros) through the H2020 programme.

The CAF Group also supplies diesel vehicles equipped with batteries to reduce fuel consumption. This consumption reduction is generally around 20%-30%.

These solutions are complemented by other electrical solutions in the CAF Group's product portfolio aimed at reducing transport emissions, such as the replacement of diesel vehicles with battery-powered electric vehicles. For example, CAF has been awarded the world's largest contract for battery-powered trains with the supply of 60 units for Germany.



Increased useful life and recyclability

Useful life

The CAF Group's trains and buses have been designed to meet the market's most demanding useful life requirements. Trains have a useful life of approximately 35 years compared with 15 years for buses. These useful lives are achieved through continuous improvement in the durability of the components since their conception.

The structural components of trains (carbody structure, frame and bogie axles) are designed, calculated, manufactured and tested to guarantee their useful life. All the other systems (couplers, propulsion system, brakes, HVAC, APS, doors, TCMS, etc.) are subjected to shock and vibration tests based in line with the IEC 61373 standard (Shock and vibration tests) to ensure adequate durability in service.

The CAF Group also works continuously to improve the useful life of elements subject to wear and tear since these suffer unavoidable degradation during use: wheels, tyres, brake discs, brake linings, bearings, shock absorbers, floor coverings, rubber gaskets and elastic elements, filters, etc.

The useful lives of the vehicles indicated above are achieved by following the assigned maintenance plan. CAF has a department focused on improving the reliability, availability, maintainability (RAM) and life cycle costs (LCC) of its vehicles, which has launched more than 70 initiatives. Approximately half of these initiatives are aimed at extending the useful life of equipment and components in service: wheels, bearings, engines and motors, brake cylinders, etc. For example, the wheel analytics system developed in 2021 optimises the useful life of the wheel before it is replaced.

Recyclability

CAF selects the materials during the design phase in line with ecodesign principles and recyclability rate while respecting the technical and functional requirements. Products are also designed for easy dismantling at the end of their useful life. Based on the experience accumulated in the supply and maintenance of its vehicles, CAF guarantees the optimisation of consumables (lubricants, sand, brake linings, etc.) and the factors that make it possible to reduce their consumption.

CAF trains have a high rate of recyclability and recoverability. According to the EPDs (Environmental Product Declaration) mentioned above, the recyclability rate ranges between 90.8 and 93.6 and the recoverability rate between 97.5 and 98.7.

The dismantling criteria of the VDI 2243 standard are followed in the design of the trains. Due to the maintainability criteria established for CAF products, the components of the vehicles are easy to replace and dismantle, in most cases using screw connections.

CAF also creates recycling/end-of-life manuals for customers on request. The purpose of the recycling or end-of-life manual is to provide instructions on how to proceed at the end of the vehicle's life and of the materials used in its operation and maintenance (consumables, spare parts, etc.). The manual includes instructions for the proper dismantling of every part of each item, in line with the steps described in ISO 22628, the dismantling criteria of the VDI 2243 standard, and the appropriate end-of-life management applicable for the composition.

Each dismantled part that cannot be reused is identified with a waste code in accordance with the European Directive 2000/532/CE European Waste Catalogue (Order MAM/304/2002), proposing the appropriate end-of-life management for its disposal according to its composition (in accordance with European Commission Decision 96/350/CE). In order of preference, this end-of-life management can take the following form: a particular known and applicable recycling process, energy recovery, or final disposal in a landfill or with an authorised manager.

With regard to buses, Solaris guarantees the recyclability of vehicle components by labelling the parts made of metals, plastics and elastomers in accordance with VDA 260 Components of motor vehicles: Labelling of material. The requirements of the VDA 260 standard have been incorporated into corporate regulations and suppliers are required to comply. The labelling of materials as required by the above standard permits their correct recycling at the end of the vehicle's life.

In the field of battery recycling, the CAF Group has signed an agreement with a partner that has the corresponding authorisations and expertise to manage battery and accumulator waste and carries out the entire recycling process in accordance with ISO 9001 and ISO 14001 (quality and environmental management standards, respectively) and the Batteries and Accumulators Act of 29 April 2009.

Processing batteries according to applicable standards permits the recover of metals (aluminium, zinc, cadmium, cobalt, lithium, copper, nickel, lead, manganese, brass, mercury, etc.), plastics and paper for the production of refuse-derived fuel (RDF). These materials can be reused in many industrial production processes, saving natural resources, fossil fuels, energy and water.

The second life of batteries used in vehicles is also taken into account. For example, Solaris is currently implementing a second-life project with an energy holding company that will use the batteries previously installed in the Urbino electric buses.



Reduction of noise and vibrations

Apart from the effects on humans, noise can also influence nature, altering the habitat of animals and ecosystems.

The noise is mainly generated by the equipment, rolling and friction with the wind.

CAF has a noise and vibration unit dedicated to reducing interior and exterior noise levels, as well as the transmission of vibrations from its vehicles to the ground. This unit is involved in a project from the outset to achieve an optimal design that complies with regulatory and contractual

requirements while improving the noise and vibration aspects of CAF's product portfolio. The CAF's technical team has developed the knowledge, tools and methodologies for predicting the noise levels of the different vehicle solutions.

To reduce both interior and exterior noise levels, CAF's technical team examines the causes (through preliminary calculations and tests, studies on wheel-rail contact and interaction, etc.) and adopts the most effective mitigation measures: use of insulating and absorbing materials, construction solutions for the different components of the train, optimised rolling profile, optimised aerodynamic shapes, variable speed fans, etc. Specifically, two tools have been developed to minimise the rolling noise generated by trains and the vibrations they transmit to the environment: CRoNoS and DARDAR. The CRoNoS tool has become an international benchmark. CAF makes similar continuous improvements to the other prediction tools and methodologies it uses, such as the modelling of public address systems to guarantee the effective transmission of messages, especially for people with hearing impairment.

Besides, once the trains have been manufactured they are subjected to noise tests while stationary and on the track to demonstrate compliance with contractual and regulatory requirements.

Buses undergo a "1 million kilometre test", i.e. the road endurance test that is carried out for each prototype and for each model design modification. The test is carried out under extremely harsh conditions on different types of road surfaces to refine the vehicle design and meet the expectations of both the Company and its customers. The monitoring and optimisations carried out in these tests also serve to improve the driving dynamics of the vehicle and minimise the noise and vibrations. The main measures adopted between 2019 and 2021 to improve the noise levels of electric buses affected the cooling system and the battery thermal management system.

These tests also revealed that zero-emission buses equipped with an electric motor generate significantly less noise than their conventional counterparts.

● Sustainable solutions

The CAF Group offers fully customised vehicles to transport operators keen to transition to zero- and low-emission mobility. There is no single answer to the challenges of public transport in the future. The zero-emission portfolio includes electric vehicles and vehicles powered by hydrogen. These vehicles successfully meet the diverse needs of transport operators, passengers and drivers.

The key solutions in the CAF Group's sustainable product portfolio are described below:

● ZERO EMISSIONS

Urbos tram: CAF's Urbos trams are electrically powered trams that can be fitted with an EVODRIVE or FREEDRIVE storage system (ultra-capacity 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.

Inneo metro: CAF's metros are electric and have been adopted in Europe's main cities (London, Amsterdam, Brussels, Rome, Madrid, Barcelona, etc.) due to their competitive values in terms of capacity, consumption and reliability.

Civity regional trains: Civity mainline trains are among the most efficient on the market. As with the other platforms, CAF has reduced the weight of these trains, optimised the efficiency of their equipment and simplified the architecture to minimise consumption. The most sustainable (zero emissions) Civity trains include electric, battery-electric and hydrogen (under development) traction chains. In June 2021 CAF was awarded the world's largest supply contract for battery-powered electric trains to deliver 60 units to the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe). The Group will also begin the on-track tests of the hydrogen train prototype in mid-2022.



Urbino Electric: This exceptionally quiet, zero-emission vehicle has a modern design and low operating costs. Thanks to their innovative technical solutions, these electric buses can run for an unlimited time (up to 24 hours a day). Furthermore, their low noise and vibration levels make battery-powered buses particularly suitable for use in city centres. The Solaris Urbino Electric was named "Bus of the Year 2017". The vehicle is available in low-floor and low-entry versions.



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

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

Trollino: The stand-out feature of these vehicles is their quiet, zero-emission operation. In addition to trolleybuses that work exclusively with an external power supply, Solaris offers hybrid trolleybuses equipped with accumulation equipment and fuel cells that work beyond the traction lines.



LOW EMISSIONS

Urbino Hybrid: Solaris Urbino hybrids are equipped with a driveline consisting of one or more electric motors and a conventional transmission system. The energy storage unit in Urbino hybrids can be either through batteries or supercapacitors. This solution reduces fuel consumption by between 20% and 30% on average, compared to a vehicle that runs on diesel. Solaris hybrid buses can also be adapted to cover a certain distance completely emission-free.



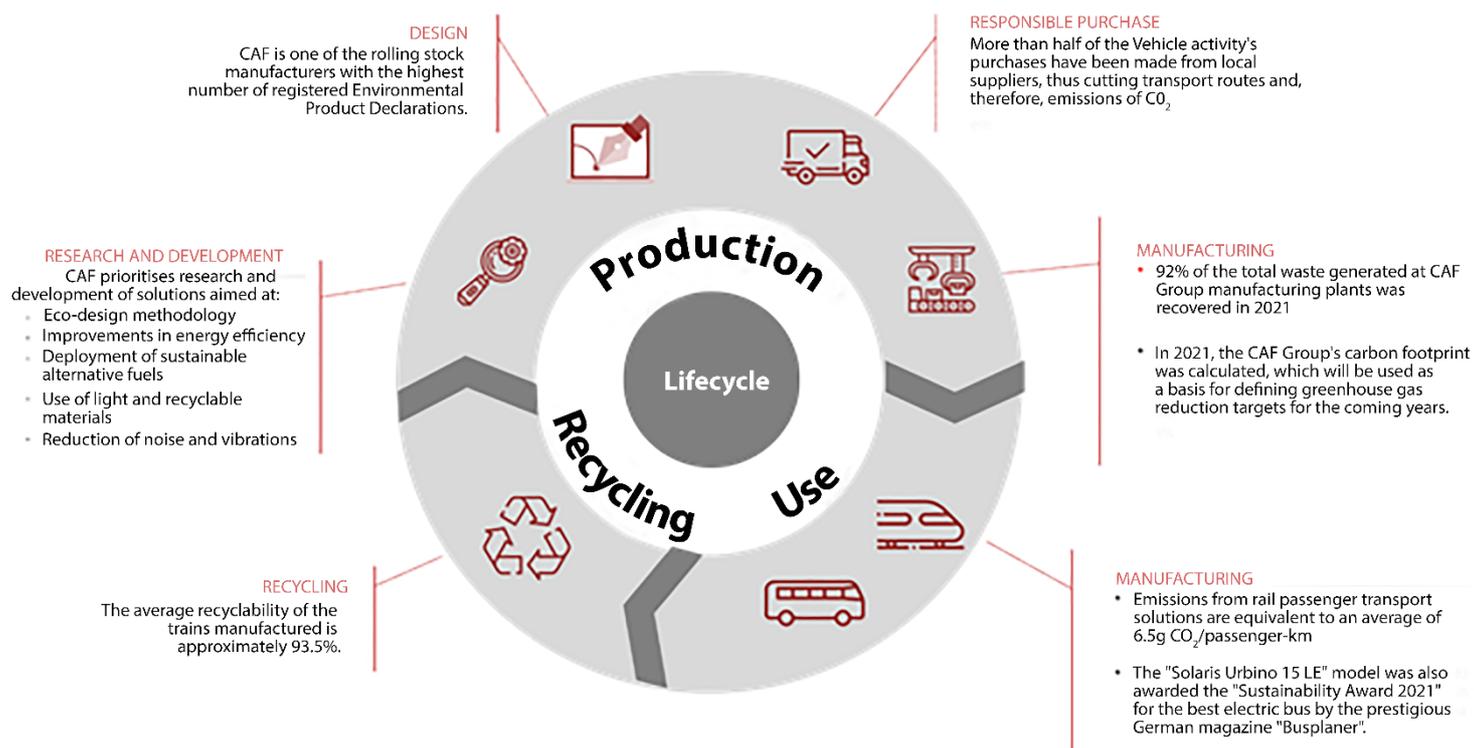
CNG Urbino: Urbino low-floor urban buses are also supplied in the form of vehicles with compressed natural gas (CNG) propulsion. This solution has made it possible to significantly reduce the emission of harmful substances and provide more eco-friendly transport.



5.4 Circular economy and sustainable use of resources

[MA 301, 301-1, MA 302, 302-1, MA 303, 303-1, 303-2, 303-3, MA 306, 306-1, 306-2, 306-3, 306-4, 306-5]

CAF is aware that its industrial activities have an impact on the natural environment and it therefore incorporates the life cycle approach into its management as a pillar of sustainability. As shown in the image below, the phases that make up this cycle are research and development, design, responsible purchasing, manufacturing, use and, lastly, recycling of the product. This approach demonstrates CAF's support for the transition to an efficient economy in the use of resources⁶⁶.



Consumption of natural resources

Environmental criteria are taken into account when purchasing materials for manufacturing processes, with particular emphasis on the selection of reusable and recyclable materials. Most of the purchases made are of processed materials, i.e., components, with metal being the most common component. However, raw materials, all of which are recyclable, for manufacturing components are also acquired. Of these, metals represent the highest consumption since they are non-renewable materials. This is particularly the case of the steel and aluminium profiles and sheets and steel ingots used to manufacture rail vehicles and buses.

Raw materials (t)	2021	2020	2019
Steel and aluminium profiles and sheets	15,605	14,756	19,211 ⁶⁷
Steel ingots	46,014	47,964	57,086
Other ⁶⁸	994	1014	960

⁶⁶ Icons made by "Freepik", "Mavadee", "Eucalyp" and "Alfredo Hernandez" from Flaticon.

⁶⁷ The 2019 data correspond to the main train and bus manufacturing centres.

⁶⁸ Wood consumption for floors and adhesives (Bus)

Apart from the acquisition of these materials, CAF, S.A. includes in its technical processes materials that contribute to environmental Sustainability. For example, recycled steel is used for manufacturing wheels and axles.

The recyclability of products is also analysed in accordance with the ISO 22628 standard. The average recyclability of the vehicles manufactured by CAF, S.A. is around 93.5%⁶⁹.

With respect to the purchase and use of chemical substances, the CAF Group operates under the scope of the REACH Regulation and, in turn, requires its suppliers to comply therewith. On the one hand, train equipment suppliers are requested to comply with the requirements of UNIFE's Railway Industry Substance List (RISL) which lists the materials and substances that are prohibited by European and international legislation specifically for the railway industry. On the other hand, information has been transferred throughout the entire supply chain of substances, chemicals and articles subject to the REACH Regulation.

The main actions performed by the Group for a more sustainable use of raw materials consist of the reduction in the designed weight of products, the reuse of materials and packaging and the use of greener materials.

● Water and effluents

The water used by CAF in the manufacturing process is used mainly to cool equipment and facilities to ensure the airtightness of the trains, using for such purpose mains water and river water in line with local limitations and limiting the consumption of river water to use in closed circuits.

The Group is aware that water is a scarce natural resource that should be preserved and it has therefore carried out a series of actions to encourage a more sustainable use of water. The most notable of these actions are as follows: implementing and promoting the rational use of water by installing closed circuits and raising environmental awareness among staff; establishing and monitoring the consumption of all water resources by implementing procedures defined according to the particular government authorisations and permits; avoiding the collection of water in areas with water stress; and, lastly, checking leaks and the airtightness of facilities to reduce consumption and impact.

Aimed at encouraging the sustainable use of water by suppliers, the ECOVADIS tool evaluates the Group's key suppliers and the measures they implement in relation to water management. The tool also analyses the suppliers that have a potentially significant impact on water, such as suppliers of batteries and tyres.

Water consumption (ML)	2021	2020	2019
Third party consumption ⁷⁰	86.75	76.94	93.17
Surface water consumption	45.58	30.3371	54.12

All the water used by the Group is water with a concentration of dissolved solids ≤ 1000 mg/l and 99% of the water used is from areas without water stress.

With regard to discharges, CAF has the corresponding authorisations for discharges to collectors or riverbeds, as appropriate. It also reviews and monitors the parameters of the discharged water, defining improvement objectives. The offices have fluid communication with the authorities that manage the discharged water in each location.

⁶⁹ Average of the calculations made in the Life Cycle Analyses that have been carried out by the organisation, both in projects and rolling stock offers.

⁷⁰ This includes CAF Group and CAF PA manufacturing plants.

⁷¹ The significant reduction in river water consumption is due mainly to the specific impact of the COVID-19 pandemic on the manufacturing area, where most of the river water consumption takes place.

Energy

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

In 2021, as a result of the action plans to reduce energy consumption at CAF's manufacturing plants, various measures were taken, as detailed below:

As regards lighting, presence detectors were installed, attempts were made to take advantage of natural light as far as possible, the luminaires were replaced by other more efficient ones, and steps were taken to raise environmental awareness of the rational use of energy in offices. In 2021 informative actions were carried out to provide the entire workforce of the parent company with good practice guidelines on energy saving and efficiency and the efficient and sustainable use of transport.

Also, with a view to controlling and optimising energy use, energy meters (gas and electricity) were installed, the functioning of the air conditioning equipment was programmed and key elements of energy efficiency in the production processes were replaced (cranes, compressors, fork-lift trucks etc.).

In addition, year after year CAF has incorporated systems in the functioning of its facilities to fully harness the benefits of renewable energies and clean and ecological technology through, for example, the use of solar PV power. Accordingly, in 2021 the headquarters located in Beasain enabled the generation of renewable energy equalling 7% of the factory's annual consumption, from the solar panels installed on the roofs of the workshops and the hydroelectric plant owned by the CAF Group.

In 2021 the Group's parent company continued to contract a 100% renewable electrical energy source with a guarantee of origin, which represents 63% of the Group's electrical energy consumption.

Direct and indirect energy consumption (MWh)	2021	2020	2019
Natural gas ⁷²	121,715	106,099	129,302
Diesel ⁷³	593	347	306
LPG and Petrol ⁷⁴	2,410	-	-
Electricity	55,624	52,433	59,339
Thermal energy	5,049	3,645	4,077

Waste

The Group aims to reduce, reuse and recycle the waste produced by the activities carried on, and to this end it has expressed its commitment to the circular economy by signing up to the Circular Economy Pact of the Spanish Ministry of Agriculture and Fisheries, Food and Environmental Affairs (MAPAMA) in 2017.

Waste is managed on the basis of the following premises: 1) Reduction of waste generation at source by, for instance, using returnable items; 2) maximisation of waste reuse, recycling and recovery. In this regard, in 2021, 92% of the total hazardous and non-hazardous waste generated was recovered. 3) promotion of awareness-raising campaigns on waste separation and

⁷² The consumption of natural gas to heat the facilities represents approximately 21% of the total consumption

⁷³ Consumption relating to transportation equipment at the factory.

⁷⁴ In view of more detailed calculations of the carbon footprint, in 2021 the Group started monitoring new fuels: LPG and Petrol.

minimisation; and 4) proper waste processing and management, using waste managers close to the facilities.

In 2021 a new development related to the railway activity was the switch to a local supplier of adhesives aimed at reducing stocks and expired adhesives. This led to an improvement of at least 40% in the indicator that monitors the expired products generated in the purchasing process for railway activities⁷⁵.

The management carried out for each type of waste during 2021 is detailed below:

Waste for recovery(t)	2021 ⁷⁶			TOTAL	2020	2019
	Reuse	Recycling	Other operations			
Non-hazardous waste	909	10,549	1,115	12,573⁷⁷	7,520	7,749
Packaging waste (wood, paper, cardboard and plastic)	909	4,056	654		-	-
Metal waste	0	6,211	320		-	-
Other	0	282	141		-	-
Dangerous residues	20.46	102.2	166.5	289.16	723	660
Paint residue	4	0.5	99		-	-
Oily residues	0.06	3	26		-	-
Packaging waste	14	0.7	27		-	-
Batteries and batteries	2	85	0.5		-	-
Other	0.4	13	14		-	-

Waste destined for disposal (t)	2021			TOTAL	2020	2019
	Incineration	Landfill	Other operations			
Non-hazardous waste	87	577	709	1373	1,084	1,474
Packaging waste (wood, paper, cardboard and plastic)	61	224	0		-	-
Metal waste	0	20	0		-	-
Other	26	333	709		-	-
Dangerous residues	197.3	95	418.1	710.4	394	566
Paint residue	65	57	103		-	-
Oily residues	0.3	0	235		-	-
Packaging waste	5	3	21		-	-
Batteries and batteries	0	0	0.1		-	-
Other	127	35	59		-	-

⁷⁵ Excluding expired products managed in the parent company, arising from an extraordinary cleaning in January 2021.

⁷⁶ Manufacturing plants of the Group, CAF PA and CAF TE are included.

⁷⁷ During 2021, the control and monitoring of metal waste in the parent company has been improved through implementing an integrated scrap control system.

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 Sustainability Policy
17 December 2020*

6.1

Economic promotion of the community

6.2

Knowledge generation

6.3

Collaboration in the educational 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 at large, through sustainable and environmentally friendly mobility solutions, as indicated throughout the report.

As established in its Sustainability Policy, the CAF Group is committed to the socially and environmentally sustainable development of the communities in which it operates, by reducing the environmental impact of its operations and the products/services it offers, and by promoting activities that contribute to economic development, knowledge generation, education and social and cultural promotion.

During 2021, the Manual for the development of social commitments was drawn up with the aim of defining the areas of contribution of CAF's social commitments with the Society interest group, as well as to ensure that CAF's collaboration activities that impact local communities in the area of social commitments are in accordance with the provisions of the Code of Conduct, Sustainability Policy, as well as with the measures set out in the Crime Prevention Manual.

In addition to respecting the social, economic, cultural and linguistic environments in which the Group carries on its activity, the following risks are associated with these commitments: (i) the adverse impact of its activities on local communities; (ii) lack of alignment between the corporate objectives of the CAF Group and respect for the various communities; (iii) the difficulty in establishing sustainable, enduring relationships with local communities; (iv) ineffective cooperation with the public authorities and local entities; and (v) lack of respect for social, economic, cultural and linguistic scenarios.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks. This process meets the risk and opportunity analysis of the frame of reference.

6.1 Economic promotion of the community

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

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

● Creation and maintenance of local employment

CAF is committed to supporting quality employment wherever it carries on its activities, both in Spain and abroad. This commitment manifests itself in the creation and conservation of direct employment, through the encouragement of the recruitment of local staff in the geographical areas in which the CAF Group carries on its activities, and of indirect employment, through the contracting of products and services from local suppliers.

Evidence of the former is the fact that over the last four financial years more than 90% of the workers were local⁷⁸, working under general conditions aligned with the Remuneration and Labour Relations Policies applicable at 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 Labour Relations Policies in the Group's companies. For more details, see chapter "4. The excellence of our team".

In relation to the creation and conservation of indirect employment, it should be noted that in 2021 the proportion of spending on local suppliers amounted to 61%⁷⁹ (in 2010, 65% and in 2019, 58%). Likewise, CAF, through its purchasing process, 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



"More than 90% of workers are local"

⁷⁸ Including available data relating to the Group's employees, understanding local to mean located in the same country of birth.

⁷⁹ Including the data relating to expenditure made at the Group's significant establishments, which represent 90% of CAF's workforce. A supplier is considered local when it is located in the same country as the significant activity that procures its services.

linked to its activity. For more details, please refer to the chapter "3.4. Responsible and Sustainable Supply Chain".

● Industrial transformation and territorial competitiveness

The CAF Group contributes to the promotion of industrial transformation and competitiveness in the area by collaborating with a different intensity and scope with specific initiatives and actions that can affect the economy of the localities in which it operates at domestic and international level.

Among these initiatives, it is worth highlighting the collaboration at regional level that began more than 10 years ago and which has led to the creation of Goierri Valley and CAF's participation in the project as a trailblazing company and member of the committee of driving companies. Created in 2017 with the vision of being the driving force behind the industrial transformation of the Goierri region, its aim is to promote the development of industry in the Goierri region by encouraging collaboration between companies and other public agents in areas that affect 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 2021, the following stand out:

- Challenge 1 Intercooperation network: CAF has participated in several of the Value Share project sessions. The objective of these sessions is to transfer the knowledge and future strategies of trailblazing companies to SMEs in order to identify opportunities for collaboration.
- Challenge 2 Collaboration Network: CAF is participating in the various forums organised by the Association (Driver Committee, Driver Forums, Multilevel Forums), sharing experiences and needs, to collaborate in solving common problems detected.
- Challenge 3 Strengthening SMEs: within the framework of this last challenge, we have participated in the activities aligned with the region's Smart Mobility strategy.

In addition, CAF has participated in the reflection process on the Governance Model for the future of the Goierri region, an initiative led by the Goieki development agency and piloted by the Lehendakari Agirre centre.

CAF continues to participate in the activities of economic entities with business or sectoral relevance to a different extent. The following are some of the entities in which it has participated throughout 2021.

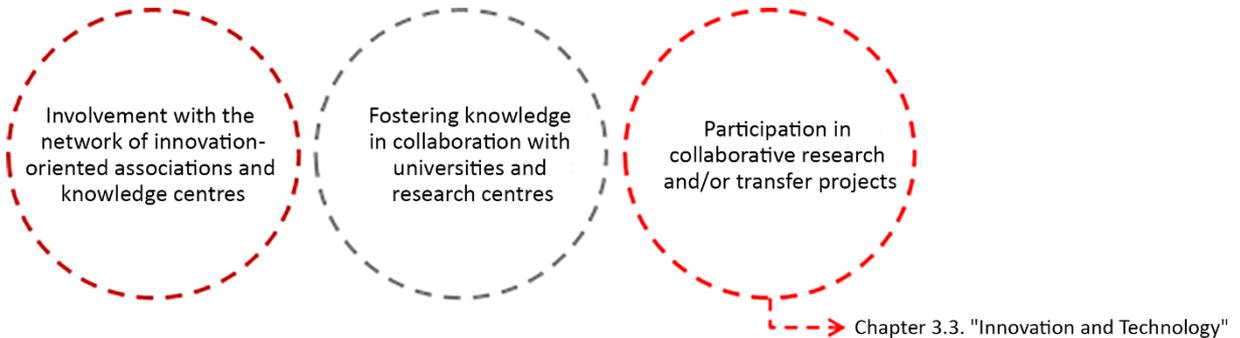
Gipuzkoa Business Association (ADEGI)	New Economy Forum
Spanish Confederation of Business Organisations	Chamber of Commerce
Entrepreneurs' Circle	MAFEX Spanish Railway Association
Exporters club	Union Internationale des Transports Publics - UITP
Asociación Progreso Dirección (APD)	European Railway Industry - UNIFE
Federation of Metal Companies of Zaragoza	Railway Industry Cooperation Forum (JBS)

In these entities, CAF has the vocation both to represent the company's interests and to contribute from its position and to draw attention to aspects that may be of general interest.

6.2 Knowledge generation

[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 generating knowledge in its operating environment through participation in the network of innovation-oriented associations and knowledge centres, as well as the promotion of knowledge in collaboration with universities. Below is a list of some of the activities in this area.



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

Shift2Rail

Shift2Rail is the first European rail initiative to undertake R&D activities and market-oriented solutions by accelerating the integration of advanced technologies into innovative rail products.

CAF is a founding member of Shift2Rail and sits on the board of directors.

EU-Rail

EU-Rail is the new European partnership in rail research and innovation established under the Horizon Europe programme (2020-2027) and successor to Shift2Rail. This partnership aims to accelerate research and development of innovative technologies and operational solutions.

CAF is a founding member of EU-Rail and sits on the board of directors.

European Rail Research Advisory Council (ERRAC)

ERRAC is the European technology platform for the rail sector. The European Commission participates in this platform, along with the Member States, the European Railway Agency (ERA) and all relevant actors in the railway sector, including industry, operators, infrastructure managers, technology centres and universities. ERRAC's main objective is to provide the European institutions with a common vision to guide R&D in the railway sector.

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

UNIFE

The UNIFE association represents European train manufacturers and railway equipment suppliers. The association advocates on behalf of more than 100 of Europe's leading rail supply companies, from SMEs to large enterprises, active in the design, manufacture, maintenance and renewal of rail transport systems, subsystems and related equipment. UNIFE also brings together national railway industry associations from 11 European countries.

CAF is a member of the Research and Development Group and the UNIFE Standards Regulation Group.

UITP

UITP (Union Internationale des Transports Publics) is the International Association of Public Transport promoting sustainable urban mobility. Founded in 1885, with more than 135 years of history, it is the only global network that brings together all public transport actors and all modes of sustainable transport.

CAF is a member of the R&D-oriented Mobility Innovation Committee and the standardisation-oriented Urban Rail Platform.

UNISIG

Under the umbrella of UNIFE, a recognised stakeholder, UNISIG actively contributes to the activities of the European Union Railway Agency in the field of ERTMS/ETCS technical specifications. UNISIG is composed of nine UNIFE member companies, one of which is CAF.

ECSEL

ECSEL brings together stakeholders from the EU public sector, industry and academic institutions. It supports research, development and innovation in essential applications in electronics. CAF is a member of this EU Joint Undertaking.

VDV

About 600 companies operating public passenger and rail freight transport in Germany are organised in the "Verband Deutscher Verkehrsunternehmen" (VDV = Association of German Transport Companies). The VDV advises and supports its member companies and politicians, supports the exchange of experience and knowledge between members and prepares technical, operational, legal and economic principles.

Solaris is a member of this association.

MAFEX

Mafex, the Spanish Railway Association, is the association that represents the Spanish railway industry and serves this industry by helping companies in their internationalisation processes, as well as by defending the general interests of the associated companies in order to achieve, in cooperation, the highest possible level of competitiveness for them.

CAF is a member of the General Assembly and the Innovation Committee.

RIH Railway Innovation Hub

Railway Innovation Centre with the mission of promoting technology and knowledge in the rail sector at an international level, through generating collaborative R&D projects, commercialising technology and know-how, promoting entrepreneurship and providing specialised services.

CAF is a member of the association.

Information Technology for Public Transport (ITxPT)

The non-profit ITxPT partnership enables open architecture, data accessibility and interoperability between IT systems. ITxPT members develop together IT architecture for public transport and other mobility services, based on standards and best practices.

Solaris is a member of the association.

Hydrogen Europe (NEW – IG)

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

Solaris is a member of this association.

European Clean 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 aims to consolidate its global leadership in this area, in support of the EU's commitment to achieve carbon neutrality by 2050.

CAF Group has joined this alliance.

BH2C: Basque Hydrogen Corridor

Association with the aim of advancing in the decarbonisation of the energy, industrial, residential and mobility sectors through the generation of a hydrogen ecosystem in the Basque Country based on specific projects and actions, with a public-private collaboration strategy.

CAF Group is a member of this association.

CEIT

CAF collaborates with this technology centre, engaged in research applied to the service of industry. CAF is a member of CEIT's Board of Trustees and participates in its governing bodies as a member of its Strategic Council.

CiC Nanogune

CAF collaborates with CiC Nanogune, a centre for research excellence in nanoscience and nanotechnology, by serving as a member of its board of directors.

Lortek

Lortek is an innovative research centre with a 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 of the TECNALIA RESEARCH & INNOVATION foundation, an extensive technology centre with a multidisciplinary orientation, and is also a member of its board of trustees and a member of its executive committee.

Foundation for the development of new Hydrogen Technologies in Aragon

Foundation promoting the development of new Hydrogen Technologies and as such, organises, manages and executes all types of actions related to hydrogen as an energy vector, with the aim 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.

Donostia International Physics Center

CAF collaborates with this centre 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.

Ikerlan

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

PTNSS

The main objective of the Polish Combustion Engine Scientific Society (PTNSS) is the promotion and development of scientific and technical activity in the field of combustion engines.

Solaris is a member of the association.

AENOR/UNE

The Spanish Association for Standardisation and Certification (AENOR) is an organisation engaged in developing standardisation and certification in all industrial and service sectors.

CAF is well represented in this key standard-setting body.

CEN/CENELEC/IEC

European (CEN, CENELEC) and International (IEC) Standardisation Organisations.

CAF has representatives in 29 working groups.

PKN

The Polish Committee for Standardisation (Polski Komitet Normalizacyjny - PKN) is a national standardisation body responsible for the organisation of standardisation activities.

Solaris is a member of Technical Committee 17 on Vehicles and Road Transport.

Research and innovation committees

CAF is a member of various research and innovation committees such as, for example, the committee organised by the Confederation of Employers and Industries of Spain (CEOE) or that promoted by the Chamber of Commerce, in which discussions are held on the research, development and innovation situation and talks are held with the public authorities and various bodies and entities in relation to R&D&I activities and policies.

Cybersecurity Forums

CAF collaborates in various 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 rail sector. It also participates in the UNIFE Cybersecurity Subgroup and in the National Rail Sector Cybersecurity Working Group coordinated by INCIBE, in which RENFE and ADIF also participate.

● Promotion of knowledge in collaboration with universities

Tecnun Classroom - CAF

CAF has collaborated with the Tecnun School of Engineering continually for decades. Such collaboration has taken the form of activities such as undertaking collaborative research projects, the joint organisation of courses and seminars, and teaching tasks. On this last point, the permanent presence of CAF engineers on the teaching staff of Tecnun is noteworthy.

CAF Classroom - Mondragon Unibertsitatea (MU)

CAF has had a collaboration agreement with the Higher Polytechnic School of Mondragón for several years, which takes the form of a Collaborative Research and Transfer Programme.

This framework includes collaboration in the design of teaching programmes (participation in teaching and evaluation), definition of projects or design of in-company experiences. The aim of this is to ensure that there are relevant studies aligned with the real needs of society that enhance students' knowledge and professional skills and ultimately promote knowledge transfer.

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

Boards of Cooperative Educational Services of New York

In the United States, CAF USA works with the Boards of Cooperative Educational Services of New York to identify and develop the evolving training and skills needs of professionals.

AGH University of Science and Technology in Krakow

Also, of note in Poland is the doctoral thesis programme implemented by Solaris together with AGH University of Science and Technology in Krakow. The aim of this programme is to create conditions for cooperation between the scientific community and the socio-economic environment, thereby enabling various employees to complete their doctoral thesis under a trilateral agreement between the employees, the university and the company.

Poznań University of Technology (Politechnika Poznańska)

Solaris collaborates with the Poznań University of Technology on key projects such as the ADAS project for the development of driver assistance systems. This collaboration also extends to student internships at Solaris.

6.3 Collaboration in the educational field

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

CAF remains committed to training future professionals and with this in mind establishes a number of agreements to collaborate with educational institutions or entities that foster youth employment in the area in which it operates.

● Educational entities or entities for the promotion of employment

National	
- Alecop	- University of Deusto
- University of Zaragoza Business Foundation	- University of Mondragon
- Novia Salcedo Foundation	- University of Navarra (Tecnun)
- Urola Garaia Vocational Training Centre (UGLE)	- University of Zaragoza
- Meka Vocational Training Centre	- CEPYME Aragón
- Don Bosko lanbide eskola	- Lacor training
- Goierri Eskola	- University of the Basque Country
- Universidad San Jorge	- National University of Distance Education (UNED)
- National Institute for Stock Exchange Studies	- Polytechnic University of Madrid
- Carlos III University	- Comillas Pontifical University
- CEU University	- Public University of Navarra (UPNA)
- Complutense University	- University of Almeria
	- University of Lleida
	- University of Oviedo
international	
- Myerscough College	- Technical University of Poznań
- University of Sao Paulo	- Telecommunication School Complex in Poznań
- Mackenzie Presbyterian University	- Vocational School in Murowana Goślina and Swarzędz
- Edison Institute	- Vocational School in Środa Wielkopolska
- CSS Workforce NY	- Automotive School Complex in Poznań
- Technological Institute of Tláhuac	- Automotive School Complex in Poznań
- Technological Institute of Higher Studies of Cuautitlán	- Higher Vocational Education Stockholm
- ISEC Business University	- Skåne Municipality

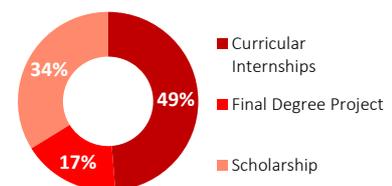
These collaboration agreements can provide access to training programmes for CAF employees, but their main objective is to offer opportunities for transition between education and the world of work through placements at the various CAF Group sites both locally and internationally.

With this objective, the CAF Group encourages managing placements to facilitate completing studies through curricular internships, undertaking final projects for university degrees and master's degrees, as well as scholarships for postgraduates, providing students with their first work experience complemented by training. More than 500 placements have been offered this year. 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 from a vocation of anticipation and collaboration.

"More than 500 company placements"

● Internationalisation Scholarship Programmes

CAF is clearly committed to internationalisation and is aware of the need for 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 the Global Training scholarships. This programme provides young people with university degrees and higher vocational training with a powerful mechanism that allows them to carry out paid internships in companies and organisations abroad, in activities and projects related to their academic and professional profile for at least six months.



In 2021, international activities promoting scholarships for graduates at CAF Group headquarters have been undertaken in countries such as the Netherlands, Norway, Sweden, Germany and Hungary.

● European initiatives coordinated by UNIFE

Similarly, CAF's participation in two European initiatives coordinated by UNIFE in 2021 must be highlighted.

The first of these is called "Hop-on for the Planet", promoted by Europe's main train suppliers, which began in 2020 and ended in 2021. The balance is positive, as it has allowed us to make the sector visible and raise awareness of our industry and its relationship with the promotion of sustainability and technological development, providing a great opportunity for people with STEM training who are looking for innovative jobs that contribute to the decarbonisation of transport. In particular, in 2021, a day organised around the professional opportunities in our sector, promoted by a benchmark organisation in the scientific-technological field was noteworthy.



CAF also continues to participate in the "Staffer" initiative launched by the European Commission which brings 32 partners from throughout the European Union together with their railway community. The railway is one of the main engines of the European strategic objective of smart, ecological and sustainable growth. This has been endorsed by the European Commission defining 2021 as the European Year of Railways. The industry is currently suffering from a considerable lack of expertise, as a large part of its workforce will retire over the next 10 years, just when technological progress will require greater capability. The consortium's aim is to develop a holistic strategy that identifies current and emerging needs regarding competencies, while at the same time cooperating with the industry and vocational and educational training institutions to design specific training and education programmes. They will improve employability and the professional opportunities in the railway industry by establishing trans-European mobility programmes and creating employment practices for students, apprentices and staff. "Staffer" expects to offer human capital solutions at all levels of the railway value chain, covering the needs of both the supply industry and the railway operators community. In 2021, progress has been made in identifying the professional competences most in demand in the future in the sector and the definition of professional profiles.



6.4 Collaboration with social and/or cultural initiatives

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

In addition to the various initiatives mentioned above, the CAF Group collaborates with public and/or private entities to support social, knowledge and cultural projects that have a positive impact on the communities where it is located.

Below are some of the institutions with which CAF has actively collaborated throughout 2021, contributing to its development.

● Collaboration in social activities

SuEskola Foundation

CAF collaborates with this foundation, which is a training centre for fire prevention and extinguishing, using innovative technology with real fire.



Green Dachshund Foundation

Foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable. It aims to help people and animals in need close to the company, implementing aid programmes for children and young people, spreading the culture of animal protection and popularising the volunteer service by involving employees and external stakeholders.



Traffic Calendar

Euromaint cooperates with the publishing house Vita Huset AB in the development of the most extensive traffic education material for children. The traffic calendar aims to inspire schools to work on traffic issues as part of learning about sustainable development. Road safety, health and environmental issues are elements that run throughout the material.



Promotion of culture and linguistics

Bikain Certification

Promoting the use of the Basque language in the Beasain and Irun work centres, standing out by obtaining Bikain certification in the Silver category. This recognition is a certificate of quality in the linguistic management of Basque in the professional environment.



CAF Award - Elhuyar

Each year CAF, together with the Elhuyar Foundation, awards the CAF-Elhuyar Prize for the promotion of scientific culture in Basque. The aim of these awards is to promote, reward and recognise the dissemination of scientific and technological work carried out in Basque. In 2021, the event took place on 27 April.



Igartza Awards

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



Euskaraldia

Euskaraldia is a mass social exercise lasting fifteen days with the aim of changing oral linguistic habits and making more use of the Basque language. CAF has participated in this initiative since its launch by promoting spaces to express oneself in Basque, called "Arigunes".

The next edition will be held in 2022 and CAF took part in its presentation at the event held on 2 November in Pamplona.



7

ADDITIONAL INFORMATION

"To report information truthfully, honestly, and with absolute respect for people's integrity and honour, always ensuring the use of clear, responsible language that helps Stakeholders make an informed decision".

*CAF Sustainability Policy
17 December 2020*

7.1

About this report

7.2

Table of contents of the Non-Financial Information Statement

7.3

GRI content index

7.4

Table of contents in relation to the Global Compact Principles

7.1 About this report

[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 1 January to 31 December 2021, is the sixth annual Sustainability Report published by CAF.

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

This report also draws on other reports to report more specifically on certain matters, such as CAF's Consolidated Financial Statements for the year ended 31 December 2021, in this case to reinforce the information in the economic area; or the Annual Corporate Governance Report 2021 to reinforce those issues related to CAF's Corporate Governance Model.

● International standards used in preparing this Report

This report has been prepared with reference to the international standards of the Global Reporting Initiative (GRI) in the selected GRI option.

● Relevant aspects and participation of stakeholders

CAF maintains an active dialogue with all its stakeholders to identify and respond to issues that are of interest to them. In this regard, the materiality analysis carried out to identify the most relevant aspects to be addressed has been taken into account in preparing this report.

For any clarification, doubt or suggestion related to the report or the subjects included in it, please contact:

esg@caf.net

7.2 Table of contents of the Non-Financial Information Statement

TITLE OF CONTENT	Reference GRI content	PAGE
INTRODUCTION		
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		134
Description of the policies applied by the Group and the outcome of these policies	103 Management Approach ("MA") indicated in each chapter	See sections I-V
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⁸⁰ This content is not material in relation to the CAF Group's business activity, as concluded from the 2021 materiality analysis.

⁸¹ This content is not material in relation to the CAF Group's business activity, since none of the Group's sites are located in protected spaces in which biodiversity might be particularly damaged.

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(1) The content of this statement is reported on the basis of Spanish Non-Financial Information and Diversity Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Consolidated Spanish Limited Liability Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, without making reference to the GRI standards.

7.3 GRI content index

[102-55]

GRI STANDARD	TITLE OF CONTENT	REFERENCE	PAGE
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GRI 102-1	Name of the organisation	Construcciones y Auxiliar de Ferrocarriles, S.A.	134
GRI 102-2	Activities, brands, products and services	Consolidated Group Management Report for 2021	Rolling stock segment Bus segments – Solaris
GRI 102-3	Location of the headquarters	Calle José Miguel Iturriz, 26, 20,200 Beasain (Guipúzcoa), Spain.	134
GRI 102-4	Location of operations	1.1 CAF's Overall Vision and Sustainability Consolidated Group Management Report for 2021	6 Rolling stock segment Bus segments – Solaris
GRI 102-5	Ownership and legal form	2021 Annual Corporate Governance Report Consolidated Group Financial Statements for 2021	Section A. Note 14 a) to the Financial Statements
GRI 102-6	Markets served	1.1 CAF's Overall Vision and Sustainability Consolidated Group Management Report for 2021	6 Rolling stock segment Bus segments – Solaris
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GRI 102-10	Significant changes in the organisation and its supply chain	Consolidated Group Financial Statements for 2021	Note 2 f), Note 9 and Note 14 a) to the Financial Statements
GRI 102-11	Precautionary principle or approach	5.1 Environmental management 2021 Annual Corporate Governance Report Consolidated Group Management Report for 2021	99 Section E. Main risks and uncertainties
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GRI 102-14	Statement from senior decision-makers	2019 Annual Report ESG Equity Story	Letter from the Chairman Letter from the Chairman
GRI 102-15	Key impacts, risks and opportunities	2.2 Risk management Consolidated Group Management Report for 2021 2019 Annual Report Annual Corporate Governance Report 2021 Consolidated Group Management Report for 2021	34 – 35 Main risks and uncertainties Letter from the Chairman Section E.3 CAF Group Business Model and Outlook
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GRI 102-22	Composition of the highest governing body and its committees	2021 Annual Corporate Governance Report	Section C
		2.1 Good Governance System	28 – 33
GRI 102-23	Chair of the highest governing body	2021 Annual Corporate Governance Report	Section C
GRI 102-24	Nominating and selecting the highest governing body	2.1 Good Governance System	28 – 33
		Annual Corporate Governance Report 2021	Sections C.1.5, C.1.6, C.1.7, C.1.12 and C.1.19
GRI 102-25	Conflicts of interest	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	43
		Annual Corporate Governance Report 2021	Sections C.1.5, C.1.6, C.1.7, C.1.19 and D.6
		Code of Conduct	Corporate website
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GRI 102-35	Remuneration policies	2.1 Good Governance System	30
		Remuneration Policy for the Directors of "Construcciones y Auxiliar De Ferrocarriles, S.A."	Corporate website
		Annual Corporate Governance Report 2021	Sections C.1.13, C.1.14 and C.2.1.
GRI 102-36	Process for determining remuneration	Annual Report on the Remuneration of Directors of Listed Companies 2021	Corporate website
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GRI 102-37	Stakeholder engagement in remuneration	Annual Corporate Governance Report 2021	Sections C.1.13, C.1.14 and C.2.1.
		Annual Report on the Remuneration of Directors of Listed Companies 2021	Corporate website
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GRI 102-55	GRI content index	7.3. GRI content index	135
GRI 102-56	External assurance	No external assurance has been performed beyond the Non-Financial Information Statement in accordance with Law 11/2018.	136
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GRI 201-2	Financial implications and other risks and opportunities due to climate change	5.2 Climate strategy	101
GRI 201-3	Defined benefit plan obligations and other retirement plans	Consolidated Group Financial Statements for 2021	Note 3 (j), Note 15, Note 16 and Note 20 of the Notes to the Financial Statements.
GRI 201-4	Financial assistance received from the government	Consolidated Group Financial Statements for 2021	Note 15, Note 16 and N 22 d) to the Financial Statements.
Diversity and equal opportunities (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 202-1	Ratios of standard entry level wage by gender compared to 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 processing by setting salary conditions regardless of gender.	137
Indirect economic impacts (2016)			
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 118 – 128
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	118 – 128
Procurement practices (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 204-1	Proportion of spending on local suppliers	3.4 Responsible and sustainable supply chain	73
Anti-corruption (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 41
GRI 205-2	Communication and training about anti-corruption policies and procedures	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 2021 Annual Corporate Governance Report	40 Section F.1.2.
GRI 205-3	Confirmed cases of corruption and measures taken	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	38
Unfair Competition (2016)			

GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13.41 – 43
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Consolidated Group Financial Statements for 2021	Note 12 a), Note 20 and Note 26 a) to the Financial Statements
Taxation (2019)			
GRI 103	Management Approach	1.3 Materiality + 2.4 Fiscal responsibility	13, 46 – 47
GRI 207-1	Tax approach	2.4 Fiscal responsibility	46
GRI 207-2	Tax governance, control and risk management	2.4 Fiscal responsibility	47
GRI 207-3	Stakeholder engagement and management of concerns related to tax	2.4 Fiscal responsibility	47
CATEGORY: ENVIRONMENT			
Materials (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 113 – 114
GRI 301-1	Materials used by weight or volume	5.4 Circular economy and sustainable use of resources	113
Energy (2016)			
GRI 103	Management Approach	1.3 Materiality. + 5.4 Circular economy and sustainable use of resources	13, 115
GRI 302-1	Energy consumption within the organisation	5.4 Circular economy and sustainable use of resources	115
Water and effluents (2018)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 114
GRI 303-1	Interactions with water as a shared resource	5.4 Circular economy and sustainable use of resources	114
GRI 303-2	Management of water discharge-related impacts	5.4 Circular economy and sustainable use of resources	114
GRI 303-3	Water extraction	5.4 Circular economy and sustainable use of resources	114
Emissions (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.3 Climate strategy	13, 102 – 103
GRI 305-1	Direct (Scope 1) GHG emissions	5.3 Climate strategy	103
GRI 305-2	Energy indirect (Scope 2) GHG emissions	5.3 Climate strategy	103
Waste (2020)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 115 – 116
GRI 306-1	Waste generation and significant waste related impacts	5.4 Circular economy and sustainable use of resources	116
GRI 306-2	Management of significant waste-related impacts	5.4 Circular economy and sustainable use of resources	116
GRI 306-3	Waste generated	5.4 Circular economy and sustainable use of resources	116
GRI 306-4	Wastes not destined for disposal	5.4 Circular economy and sustainable use of resources	116
GRI 306-5	Waste destined for disposal	5.4 Circular economy and sustainable use of resources	116
Environmental Compliance (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.1 Environmental management	13, 100
GRI 307-1	Non-compliance with environmental legislation and regulations	5.1 Environmental management Consolidated Group Financial Statements for 2021	100 Note 2 h) and Note 22 c) to the Financial Statements
Environmental assessment of suppliers (2016)			
GRI 103	Management Approach	1.3 Materiality. + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	73
CATEGORY: SOCIAL			
Employment (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.1 Talent development	13, 75
GRI 401-1	New employee hires and employee turnover	4.1 Talent development	77

GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1 Talent development	79
Worker-company relations (2016)			
GRI 103	Management Approach	1.3 Materiality. + 4.1 Talent development	13, 81 – 82
GRI 402-1	Minimum notice periods regarding operational changes	The provisions of the applicable agreement or, subsidiarily, the relevant local legislation are complied with in this regard.	138
Health and safety in the workplace (2018)			
GRI 103	Management Approach	1.3 Materiality + 4.4 Health and safety in the workplace	13, 90 – 95
GRI 403-1	Occupational health and safety management system	4.4 Health and safety in the workplace	90 – 91
GRI 403-2	Hazard identification, risk assessment and incident investigation	4.4 Health and safety in the workplace	92
GRI 403-3	Occupational health services	4.4 Health and safety in the workplace	92 – 93
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	4.4 Health and safety in the workplace	93
GRI 403-5	Worker training on occupational health and safety	4.4 Health and safety in the workplace	94 – 95
GRI 403-6	Promotion of worker health	4.4 Health and safety in the workplace	94
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.4 Health and safety in the workplace	92 – 95
GRI 403-9	Work-related injuries	4.4 Health and safety in the workplace	95 – 97
Training and teaching (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.1 Talent development	13, 79 -81
GRI 404-1	Average hours of training per year per employee	4.1 Talent development	80
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1 Talent development	80
Diversity and equal opportunities (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 405-1	Diversity of governing bodies and employees	2.1 Good Governance System	29
		4.2 Diversity and equal opportunities 2021 Annual Corporate Governance Report	85 Section C
Non-discrimination (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 406-1	Incidents of discrimination and corrective actions taken	4.2 Diversity and equal opportunities	83
Freedom of association and collective bargaining (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No significant affected sites and suppliers have been identified in this regard.	138
Child Labour (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 408-1	Operations and suppliers with significant risk for incidents of child labour	No significant affected sites and suppliers have been identified in this regard.	138
Forced or compulsory labour (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No centres or providers have been identified as having a significant risk in this regard.	138
Indigenous peoples' rights (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No such cases have been detected.	138
Human Rights assessment (2016)			

GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 412-2	Employee training on Human Rights policies or procedures	4.3 Respect for Human Rights	88
Local communities (2016)			
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 118 – 128
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No centres have been identified with significant negative effects in this regard.	139
Social assessment of suppliers (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 414-2	Negative social impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	73
Public Policy (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 45
GRI 415-1	Contributions to political parties and/or representatives	CAF is a party-neutral company.	139
Customer health and safety (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.1 Quality and safety of products and services	13, 52 – 54
GRI 416-1	Assessment of the health and safety impacts of product or service categories	3.2 Quality and safety of products and services	53
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.2 Quality and safety of products and services	54
Marketing and labelling (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.1 Quality and safety of products and services	13, 52 – 54
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	No significant non-compliance has been detected in this respect.	139
GRI 417-3	Incidents of non-compliance concerning marketing communications	No significant non-compliance has been detected in this respect.	139
Customer privacy (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.2 Information security	13, 56 – 57
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant non-compliance has been detected in this respect.	139
Socio-economic compliance (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 45
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Consolidated Group Financial Statements for 2021	Note 20 and Note 26 to the Financial Statements.

7.4 Table of contents in relation to the Global Compact Principles

The following table identifies the chapters of this report that contain information on compliance with the 10 Global Compact Principles.

THE 10 GLOBAL COMPACT PRINCIPLES	REFERENCE
HUMAN RIGHTS	
PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed Human Rights	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.3 Respect for Human Rights
PRINCIPLE 2: Businesses should make sure that they are not complicit in Human Rights abuses	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
LABOUR	
PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.1 Talent development 4.3 Respect for Human Rights
PRINCIPLE 4: Businesses should support the elimination of all forms of forced and compulsory labour.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 5: Businesses should support the effective abolition of child labour	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 6: Businesses should support the elimination of discrimination in respect of employment and occupation	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.1 Talent development 4.2 Diversity and equal opportunities 4.3 Respect for Human Rights
ENVIRONMENT	
PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges	5.1 Environmental management 5.2 Climate strategy
PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.	3.4 Responsible and sustainable supply chain 5.1 Environmental management 5.2 Climate strategy 5.3 Sustainable and efficient mobility 5.4 Circular economy and sustainable use of resources
PRINCIPLE 9: Companies should encourage the development and diffusion of environmentally friendly technologies	3.3 Innovation and technology 5.3 Sustainable and efficient mobility
ANTI-CORRUPTION	
PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and briber.	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law