GENERAL RISK CONTROL AND MANAGEMENT POLICY

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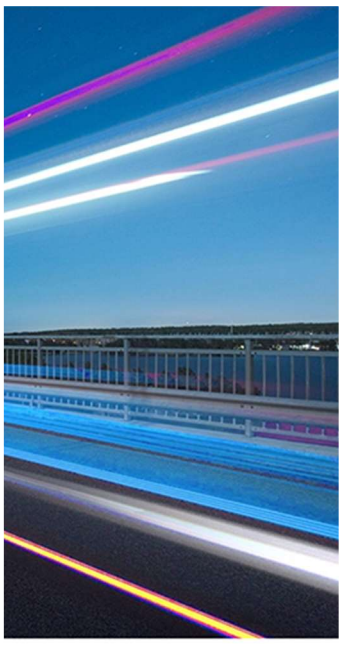

0. INTRODUCTION

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter, “CAF” or the “Company”), in compliance with the provisions of articles 249 bis and 529 Third of the Ley de Sociedades de Capital, 34.b) from the Bylaws and 5.3 b) from the Rules of the Board of Directors, has the non-delegable power to decide the Company's general policies and strategies and, specifically, its General Risk Control and Management Policy.

Based on the above, the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. has agreed during its meeting of 12 November 2019, to approve this new General Risk Control and Management Policy of Construcciones y Auxiliar de Ferrocarriles, S.A. (the "Policy"), which shall form part of the CAF Group's internal normative.

1. PURPOSE

The purpose of this Policy is to configure the principles and basic guidelines for the control and management of all types of risks the Company and the Group face, identifying the main risks and organizing the appropriate information and internal control systems, as well as performing periodic monitoring of the operation of these systems.

With this Policy, which is to be applied in compliance with the mission, values and vision of CAF, the Company is committed to providing greater certainty and security in:

- Achieving the strategic goals set out by the CAF Group with controlled volatility;
- Providing shareholders with the highest level of assurance;
- Protecting results and reputation of the CAF Group;
- Defending the interests of its stakeholders; and
- Guaranteeing sustained corporate stability and financial strength.

This Policy will be developed and complemented with the specific risk management policies established by the CAF Group.

2. SCOPE

This General Risk Control and Management Policy applies to all the companies forming part of the CAF Group, in accordance with the provisions of article 42 of the Commercial Code, in all jurisdictions in which CAF is operating, and it is applicable to all the Group's employees.

For those equity investments which are not part of the CAF Group, the Company shall aim to ensure that the principles, guidelines and risk limits are consistent with those established through this Policy.

In order to respond for a global and homogeneous risk management, the Group assumes a centralized model of control and management of risks that affects all areas of the Organization. To this end, through this General Risk

Policy of Control and Management Policy, the Organization pledges to develop all its capabilities so that the risks of the entire resolution are identified, measured, prioritized, managed and controlled. In the same way, this Policy will cover all types of risk that might put in jeopardy the fulfillment of the Group's objectives.

3. BASIC PRINCIPLES

This Policy is based on the following basic principles when designing and applying the control and risk management techniques of the Group:

a. Integrate the risk culture in the Organisation's management.

b. Maintain a tight segregation of functions between the areas that assume the risk and the areas responsible for its analysis, control and supervision, providing a suitable level of independence.

c. Ensure the use of appropriate measures to mitigate the impact of risks.

d. Report, transparently, the risks of the Group and its operating units, as well as the functioning of the control systems, to regulators and the main external agents.

e. Guarantee adequate compliance to the rules of corporate governance established by the Group with the updating and continuous improvement of these rules.

f. Act at all times according to the law and the values and standards of conduct reflected in the Code of Conduct and the principles and good practices reflected in the corporate policies under the principle of "zero tolerance" towards the commission of illicit acts and fraud situations.

In view of the above, CAF Group's General Risk Control and Management Policy is aimed at to achieving a prudent risk profile, diversified by geographical areas, types of products and customers, with a low tolerance level, looking for a sustainable growth over time, both in terms of revenue and profit.

4. MAIN RISK CATEGORIES

The CAF Group classifies the risks in the following blocks:

- Strategic Risks: they are the risks derived from the uncertainty from macroeconomic and geopolitical conditions, in addition to the characteristics of the sector and markets in which the Group operates and the strategic and technological planning decisions adopted.
- Financial Risks: from market fluctuations (financial and raw materials), contractual relationship with third parties (customers, debtors) and counterparties related to investment in financial assets and liabilities (financial institutions, investors). The subcategories of risks that are included are the following:
    - Market risk, considering the following typologies:
        - Interest rate risk: risk of changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.

- Exchange rate risk: risk derived from the variation in the exchange rates of one currency with respect to another with its possible effect on future transactions and the valuation of monetary assets and monetary liabilities.
- Risk of variation in raw material prices: risk derived from variations in prices and market variables in relation to necessary raw materials in the business supply chain.

- Credit risk: it is the risk of insolvency, bankruptcy, bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparties to which the Group has effectively granted net credit and are pending settlement or collection.
- Liquidity and financing risk: in relation to the liability, it is the risk linked to the impossibility of carrying out transactions or to the breach of obligations arising from operational or financial activities due to lack of funds or access to financial markets, whether derived of a decrease in the credit quality (rating) of the company or for other reasons. In relation to the asset, it is the risk of not being able to obtain at any given time purchasers of the asset, for sale at market price, or the lack of market price.

- Legal Risks: from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and the possible contingencies derived from them. The risks related to judicial procedures, administrative procedures and claims are also included.
- Operational Risks: are those inherent in all the activities, products, systems and processes of the Group that cause economic and reputational impacts caused by human / technological errors, internal processes not sufficiently robust, or the intervention of external agents.
- Corporate Governance Risks: from the potential breach of the Group's Corporate Governance System that regulates the design, integration and operation of the Governing Bodies and their relationship with the company's stakeholders; and that in turn are based on the commitment to ethical principles, good practices and transparency, articulating around the defense of social interest and the creation of sustainable value.
- Compliance and Regulatory Risks: from the violation of national and international norms and laws that are applicable regardless of the activity itself, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and regulations regulating the stock market, defense of competition and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labor, (iv) Tax and (v) Administrative (between others, personal data protection regulations, environmental laws, etc.).

5. INTEGRAL RISK CONTROL AND MANAGEMENT SYSTEM

The CAF Group's Risk Control System is an interlaced system of standards, processes, controls and information systems, in which the overall risk is defined as the result of consolidating all the risks the Company is exposed to, taking account of the risk mitigation effects. This system allows the consolidation of the risks the business areas and units of the Group are exposed to and their assessment, as well as for the preparation of the relevant

management control information in order to make decisions relating to risks, expected profitability and cash consumption.

The Risk Control and Management System implemented by the CAF Group includes the following actions:

1. Establishment of the risk management context for each activity, establishing, among others, the level of risk that the Group considers acceptable.
2. Identification of the different types of risk the Group faces in line with the main ones detailed in the Policy.
3. Analysis of the identified risks and involvement in the CAF Group as a whole:
    - Corporate Risks – Those that affect the Group as a whole.
    - Riesgos de Negocio – Aquellos que afectan de forma específica a cada uno de los negocios/proyectos y que varían en función de la singularidad de cada uno de ellos.
4. Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5. The measures planned for the treatment of the identified risks.
6. Regular monitoring and control of current and potential risks through the use of internal control and information systems.

This system is aligned with international standards regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines of Defense Model on the assignment of responsibilities in the field of risk management and control:

- The First Line of Defense rests with under the operating units of the business themselves and they are responsible for both the day-to-day management activities of the risks and the maintenance of internal control and for implementing the actions to address control deficiencies.
- The Second Line of Defense, coordinated by the Corporate Risk Management Function, complements the activities of the first, performs the monitoring and reporting and is responsible for the levels of risk assumed by the Group, independently controlling the different business lines.
- The Third Line of Defense is the independent review of the first two lines of defense and is performed by the Internal Audit Function.

6. MONITORING AND CONTROL

The Audit Committee and, ultimately, the Board of Directors, is responsible for ensuring that the CAF Group as a whole complies with this Policy. To do so, the necessary internal control instruments shall be established.

7. REVISION AND UPDATING

This General Policy of Control and Risk Management has the vocation of permanence, without prejudice to its periodic review by the Audit Committee to submit, where appropriate, to the Board of Directors, the corresponding update proposal.

8. APPROVAL AND DISSEMINATION

This Policy is approved by CAF's Board of Directors at its meeting held on 12 November 2019, coming into effect from that date onwards, replacing the CAF's General Risk Control and Management Policy dated 20 December 2016.

To ensure the dissemination is passed along by the concerned parties and recipients thereof, this General Risk Control and Management Policy will be published on the Company's website (www.cafmobility.com), as well as on the Group's corporate Portal.