



INVESTMENT POLICY

The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's website (www.caf.net). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.

INDEX

1.	CONTEXT AND PURPOSE.....	3
2.	MISSION	3
3.	OUR COMMITMENT	3
4.	SCOPE	4
5.	BASIC PRINCIPLES WITH REGARD TO INVESTMENT	5
6.	MONITORING AND CONTROL.....	6
7.	REVISION AND UPDATING	6
8.	APPROVAL AND PUBLICATION	6



1. CONTEXT AND PURPOSE

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.(hereinafter, the “Company”) has the non-delegable power to decide the Company's general policies and strategies, including those referred to investments. Likewise, the Board of Directors is responsible for approving those operations or investments which pose a special risk due to their strategic fit, value or characteristics. All this, in compliance with the provisions of articles 249 bis and 529 ter of the Ley de Sociedades de Capital¹.

The CAF Group (hereinafter "CAF" or the "Group") has a business model that requires investment in assets in order to meet its business objectives.

This investment activity may be increased in certain market situations in which orderly, profitable growth is forecast.

The structural and short-term investment needs are centered on an increasingly wider asset typology and with a growing level of sophistication.

In view of the foregoing, this document aims to established the basic principles and action guidelines with regard to Group investment, in accordance with the provisions for listed, publicly-owned companies operating in the sector, and with a strong international presence.

2. MISSION

The mission of CAF's investment activity is to identify the best investment opportunities and to optimally assign limited funds for the orderly implementation of the strategy of the Group and its business units in the markets and geographical areas in which it operates, creating value for the business and its shareholders and avoiding taking undesirable risks.

3. OUR COMMITMENT

CAF's objective is to build trust and to deliver value in the national and international mobility markets in which it operates, through responsible conduct. To this end, CAF has a team of competent, committed staff, which acts in accordance with the principles of good faith, loyalty and transparency.

The definition of CAF's Investment Policy is in line with CAF'S core corporate strategy and general objectives, which are based on the satisfaction of the various stakeholders (shareholders, customers, suppliers, employees and society).

¹Revised text of the Corporate Enterprise Act, (Ley de Sociedades de Capital), approved by Royal Legislative Decree 1/2010 of 2 July, amended by Act 31/2014 of 3 December 2014.

As part of its investment responsibility, CAF is committed to creating value for its shareholders through the selection and optimisation of opportunities that permit compliance with the current strategy and within an acceptable risk level.

CAF promotes the understanding of the principles governing this Policy in all its business units, thereby achieving consistent conduct within the organisation in relation to investments.

4. SCOPE

This Investment Policy is applicable to all companies forming part of the CAF Group, over which the Company has effective control.

For those investee companies that are not part of the CAF Group, the Company shall aim to ensure that the principles, guidelines and limits are consistent with those established through this Investment Policy.

Therefore, the Investment Policy shall be applicable to all the business units, monitoring and governing bodies and the Group's employees who, within the framework of the Strategic Plan in force at the time, are engaged in the identification, analysis and execution of investment projects involving the use of funds for allocation to assets.

The Investment Policy shall be applicable to all types of assets requiring the provision of funds and which create a return in a specified time frame.

For the purpose of the Investment Policy, the assets included herein are classified as follows:

- Monetary Assets: investments in monetary, debt, equity and derivative instruments, in the widest sense, directed at giving the Company liquidity or coverage, among others.
- Operating Assets: investments in operating resources for its business activity, such as machinery or transport elements, classified into tangible fixed assets or investments in working capital.
- Real estate assets: all types of real estate assets, including Production plants, Warehouses and Logistics centres, and Offices.
- Private Capital Assets: investments in private capital resulting from projects, partnerships, mergers and takeovers.
 - Contractual Partnerships that develop into structural links and investments in the parties.
 - PPP and Project Finance
 - Joint Ventures or temporary joint investments.
 - Seed and Venture Capital or investments in incipient or growing companies.
 - Private Equity or investment in companies that are well-established in their sector.
- Intangible Assets: investments in intangible assets resulting from internal developments or takeover processes.

5. BASIC PRINCIPLES WITH REGARD TO INVESTMENT

The CAF Group's principles of conduct on investment matters are as follows:

- Ensure compliance with the Group's Strategy (Strategy): the allocation of funds to any type of asset is for the purpose of complying with the Group's strategy in force and providing the expertise and means required to carry out its corporate purpose, guaranteeing the competitiveness of the Company in the medium and long term in the markets in which it operates.
- Create value for the Company and its Shareholders (Return): the investment shall be directed at the best opportunities identified, so that the return on investment is in line with, or above requirements, given the characteristics of each project according to the criteria of the Management Plan in force at any time, creating value for the business, stakeholders involved in meeting its objectives and, in particular, shareholders.
- Comply with the budgetary and funding restrictions (Budgetary Limit and Ticket): CAF has predetermined funds and a limited investment financing capacity. Therefore, the approved budget shall be allocated by business unit and asset, in line with the Group's objectives.
- Rotate in a reasonable time frame in terms of maturity and return (Time Frame): investment opportunities shall be structured to promote the rotation of funds, so that the time frame for the output and input of flows corresponds to the strategic interest of each project, the nature of each asset and the characteristics of the specific opportunity.
- Comply with the pre-established risk limits (Risk): the investment activity shall comply with the objectives and restrictions defined in the General Risk Assessment and Management Policy and resulting from their application in each business unit.
- Optimally structure and count on suitable financial instruments (Financing): investment projects shall be financed with instruments that are suitable for each type of asset, choosing between funds generated by CAF's activities, new external financing and additional capital injections, optimising the capital structure of the Group.
- Execute, in accordance with standardised, up-to-date processes, criteria and means (Criterion, Process and Means): opportunities shall be analysed, implemented, approved and supervised throughout their investment period, in accordance with common operating processes, considering:
 - A process for each type of asset.
 - Investment and return criteria defined in the Management Plan in force at the time of the investment.
 - Models, sources and unified, accessible corporate tools.

All the aforementioned principles shall be followed in accordance with CAF's general principles and, specifically, with those of good faith and integrity when dealing with all stakeholders.

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.

In this context, the Company's Economic-Financial Management shall provide, at the request of the Audit Committee, the necessary information on the investment criteria applied during the financial year and, in particular, on the Group's level of compliance with the Investment Policy. This information shall remain at the disposal of the Audit Committee for submission to the Board of Directors.

Likewise, in the event of operations that need to be submitted to the Board of Directors for approval, the Economic-Financial Management shall report on the implications and risks thereof, for appropriate assessment by the Audit Committee and, ultimately, by the Board of Directors.

7. REVISION AND UPDATING

This Investment Policy is intended to be permanent, without prejudice to its periodical revision by the Audit Committee, which shall submit, where applicable, the corresponding updating proposal to the Board of Directors.

8. APPROVAL AND PUBLICATION

This Policy was approved by the CAF Board of Directors at its meeting held on 18 December 2018, coming into effect from that date onwards.

To ensure that interested parties and the Investment Policy target audience are familiar with the same, it shall be published on the Company's website (www.caf.net) and also on the Group's corporate Portal.