

# **Construcciones y Auxiliar de Ferrocarriles, S.A.**

Financial Statements for the year ended  
31 December 2020 and Directors' Report,  
together with Auditor's Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A.,

### Report on the Financial Statements

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#### Opinion

We have audited the financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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#### Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Recognition of revenue and margins by reference to stage of completion

### Description

The Company engages mainly in the manufacture of rolling stock material and, in relation to long-term construction contracts, as indicated in Notes 11 and 12 to the accompanying financial statements, it generally recognises the revenue and profit or loss on each contract by reference to the estimated stage of completion thereof, obtained on the basis of the hours incurred in the contract as a percentage of the total budgeted hours. The revenue recognised in 2020 on train contracts by reference to the stage of completion amounted to EUR 1,207 million.

Determination of the stage of completion involves a high degree of complexity and estimation by management in relation to, inter alia, the estimation of the total costs to be incurred in each contract, the percentage of the total budgeted hours allocated to each contract or the estimation of the margin taking into consideration the expected revenue and the expected contract costs.

Therefore, the recognition of revenue and margins by reference to the stage of completion was a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included a combination of tests on the operating effectiveness of the relevant controls that mitigate the risks associated with cost allocation in the projects, as the basis for estimating the total costs yet to be incurred, and substantive analytical tests and tests of details. In this regard, we performed, inter alia, tests to verify that the aforementioned controls operated effectively, including the information system controls, for which we involved our internal technology and systems experts.

Also, we performed a detailed and case-by-case analysis of a selection of the main projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Company, for which purpose we held meetings with Company personnel. In addition, we reviewed the consistency of the estimates made by the Company in 2019 with the actual data for 2020 and conducted other substantive procedures such as: detailed perusal of the most significant contracts and analysis thereof with management in order to obtain an appropriate understanding of the terms and conditions agreed upon; analysis of whether the revenue had been properly recognised, taking into account the contractual terms and obligations vis-à-vis the customers; tests of details on a selective basis aimed at evaluating the reasonableness of the estimates made by management, and the review of the most sensitive assumptions; and the performance of combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue accounts.

Notes 11, 12 and 19 to the accompanying financial statements contain the disclosures and information relating to the Company's revenue recognised by reference to the stage of completion.

## Provisions and contingent liabilities arising from commercial contracts

### Description

It is standard practice in the industry in which the Company operates for long-term construction contracts to provide for significant penalties arising primarily from not meeting delivery deadlines or from breaches of other contractual obligations, as well as of obligations of any other kinds relating to its activities that require the recognition of liabilities.

The estimation of the provisions required is a key matter in our audit because normally this type of breach comes to light in the framework of negotiations with the customer in order to acknowledge the incidents or modifications that usually cause the delays or breaches of the terms and conditions accepted during the performance of contracts.

As described in Note 17 to the accompanying financial statements, the provisions recognised by the Company to cater for these obligations amounted to EUR 142 million at 31 December 2020. Also, Note 22 details the contingent liabilities arising from the litigation involving the Company and its customers.

In this connection, the assessment performed by management to determine, if appropriate, the recognition of those obligations is complex and involves the use of a significant level of judgement based on assumptions with respect to possible events occurring during the product construction process, including the identification of causes not attributable to the Company.

Accordingly, the situation described was considered to be a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the detail of the estimates made by management in relation to the situation of each project and the provisions recognised. For a sample of contracts, obtained on a selective basis, we performed substantive procedures aimed at evaluating the reasonableness of the estimates made by management by comparing those estimates with the terms and conditions included in the aforementioned contracts and with the obligations arising therefrom, the circumstances prevailing in those contracts and historical experience.

In addition, we compared the estimates made with the legal documentation (the contract itself, legal opinions, confirmation letters from lawyers, etc.), involving our internal infrastructure project specialists in order to evaluate, in certain significant projects, the assumptions made by management, and with the correspondence with customers in order to evaluate the reasonableness of the judgements applied in relation to the completeness of the provisions recognised. We also performed analytical procedures to review the consistency of the estimates made by the Company in 2019 with the actual data for the contracts in 2020.

Lastly, we also evaluated the adequacy of the disclosures provided in the financial statements (see Notes 17 and 22).

## Measurement of investments in Group companies and associates

### Description

As detailed in Note 9, the Company has ownership interests in the share capital of Group companies and associates that are not listed on regulated markets, and has granted loans thereto.

Each year the Company reviews the indicators of impairment and, where appropriate, estimates the recoverable amount of these ownership interests and loans. The estimation of the recoverable amount of those ownership interests and loans requires, in the case of investees for which management has identified indications of impairment, the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions established for each method in question (future sales performance, use of discount rates, etc.).

These matters, as well as the significance of the investments, which are the sum of the ownership interests in the share capital of Group companies and associates and the loans granted thereto, led us to consider the measurement of these ownership interests and loans to be a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, the review of the analyses conducted by management to identify indications of impairment.

We obtained and analysed the impairment tests performed and other valuation-related evidence gathered by Company management, where management identified indications of impairment of the aforementioned ownership interests, verifying the clerical accuracy thereof and the appropriateness of the valuation method used in relation to the investments held. For this purpose, we analysed the consistency of the future cash flow projections with the budgets and with respect to the outlook for the industry, as well as with historical information on the investees.

In this context, we analysed the reasonableness of the main assumptions used. These key assumptions include the discount rate used, which our internal experts evaluated based on general market indicators, and the long-term growth rate, the reasonableness of which was evaluated by checking the calculations detailed by the Company.

Lastly, we checked that the disclosures included in Note 9 to the accompanying financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

### Other Information: Directors' Report

The other information comprises only the directors' report for 2020, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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## **Responsibilities of the Directors and of the Audit Committee for the Financial Statements**

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description in the Appendix forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

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### **Additional Report to the Audit Committee**

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 25 February 2021.

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## Engagement Period

The Annual General Meeting held on 15 June 2019 appointed us as auditors for a period of two years from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 1990, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Pablo Mugica

Registered in ROAC under no. 18694

25 February 2021

## Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

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### Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**2020 DIRECTORS' REPORT**  
**OF**  
**THE COMPANY**

*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](http://www.caf.net)). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

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## 1 - CAF GROUP BUSINESS MODEL AND OUTLOOK

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 constitutes its main historical activity, the Group offers a wide range of products that includes, among others, from high-speed trains, to regional and commuter trains (diesel and electric), metros, trams and LRVs or locomotives.
- With regard to buses, the Group offers a wide range of zero-emission full-battery and hydrogen fuel cell powered buses that maintained their leadership position in Europe in 2020 (Solaris received the Global e-Mobility Leader award for its contribution to the development of zero-emission transport across the world). Its product range is completed with low-emission buses powered by conventional combustion engines, although their importance in Solaris' activities is decreasing, a reflection of the market trend.
- In order to increase its value offering in sustainable mobility and contribute to decarbonisation, CAF is adopting a significant role in hydrogen solutions, such as the following:
  - Railways: Europe has chosen the consortium led by CAF to develop a hydrogen train prototype
  - Buses: Solaris has joined the European Clean Hydrogen Alliance

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.

With a strong presence in the international market and with particular focus on Europe, the Group has various factories in countries such as Spain, Poland, UK, France, the US, Mexico and Brazil. The Group also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. This information can be found on 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.

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 significant backlog and repeat business from our customers.

### Experience in global sustainable mobility



> 200 rolling stock projects



> 20,000 buses



> 50 markets

2020 was a year marked by the pandemic. It should be noted that rapid execution of the contingency plan, combined with the close relationship with stakeholders, enabled CAF to significantly mitigate the impact of COVID-19 in 2020. The measures adopted by the Group are explained in the non-financial information statement (NFIS).

In the next few years, with the reservations concerning the evolution of COVID-19, the Group aims to recover the levels of profitable growth prior to the pandemic and improve its sustainability rating.

The main reasons supporting these expectations are as follows:

- Perspectives for recovery of the railway and urban mobility transport sectors. These perspectives have been ratified by the UNIFE 2020 World Rail Market Study in the case of railways.
- Continuous development of urban e-mobility in which CAF is well positioned with its combined offering (railway and bus).
- Inherent sustainability of railway transport in general.
- Firm commitment of authorities to sustainable mobility, through the impetus of the European Green Deal, as part of the European Restructuring Plan, in which the Group aims to maximise its participation.
- CAF's positive rating from, and relationship with, all its stakeholders.
- Systematic, recurring application of expense containment programmes, as well as cost and inventory reduction.
- Roll-out of the Corporate Management Model as a tool for obtaining synergies and improving Environmental, Sustainability and Governance (ESG) indicators, following the principles and commitments stated in our Sustainability Policy.

Lastly, CAF aims to extend its offering of solutions and consolidate its position as a benchmark in the most important geographical areas with regard to collective mobility, through actions to make mobility systems across the world more sustainable, effective and safe. These actions will include:

- Making progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continuing investments in the technological development of sustainable mobility solutions such as hydrogen, energy accumulation, eco-design, etc. in which the Group is a leader.
- Consolidating our value proposal for customers through the commercial and technical development plans of our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, CAF MiiRA and CAF Engineering & Modernizations, among others) in order to diversify our integrated mobility offering.
- Consolidating our international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

In short, in an increasingly competitive market, the ongoing pursuit of solutions adapted to our customers' needs that increase their satisfaction is part of the Company's DNA, and forms part of the culture shared by all the individuals forming part of the CAF Group, thereby providing a balanced response to the needs of its stakeholders.

## 2 - BUSINESS PERFORMANCE AND RESULTS

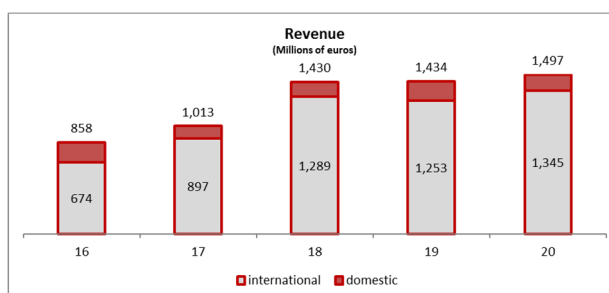
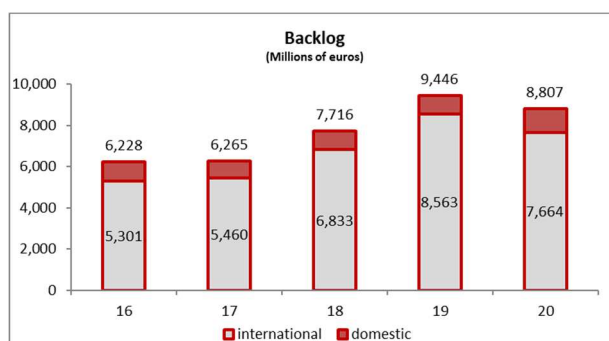
### Main indicators (\*)

Figures in millions of euros	2020	2019	Change (%)
<b>Contracts-(**)</b>			
Backlog	8,807	9,446	-7%
Contracts in the year	2,123	4,066	-48%
<b>Profit and Cash-Flow-</b>			
Revenue	1,497	1,434	4%
EBITDA adjusted	-0.1	61.8	-100%
Profit for the year	-49.1	2.0	-2555%
Cash-Flow	-33.2	25.9	-228%
Equity	582	663	-12%
<b>Proposed dividend per share</b>	0.000	0.842	-100%

(\*) The indicators' definitions are included in the "Alternative Performance Measures" section.

(\*\*) Information on the consolidated group.

- Contracts totalled EUR 2,123 million, despite the slowdown in award processes.
- The backlog stands at EUR 8,807 million, remaining at high levels despite the increase in revenue and fewer new contracts. This figure guarantees that the Group will be able to continue to carry on its normal activity and consolidate its excellent position to once again reach record highs in terms of the awards of contracts forecast in the railway market in 2021.
- The results for 2020 were affected by the COVID-19 outbreak, which had an impact on both the Company's operations (mainly in the first half of the year) and its financial results, due mainly to exposure to foreign currency risk.



### **3 - RAILWAY SEGMENT**

#### **COMMERCIAL ACTIVITY**

Marked by the COVID-19 pandemic on a global level and the restrictions on people's movement, 2020 could be called a "metric year" in our particular railway history. Firstly, in chronological order, this is due to ADIF's award to CAF Signalling of the project to replace the existing telephonic block signalling system on the León-Guardo line between the Asunción Universidad (León Capital) and Guardo (Palencia) stations with a new automated system remotely controlled from the Centralised Traffic Control (CTC) centre. This action will result in an increase in both the line's capacity and the reliability of the facilities. Secondly, the epithet "metric" could also be given to the year as a result of the new contracts with Renfe, Euskotren and Mitsubishi Corporation, involving a total of 82 units, all of which are metric-gauge, and the manufacture of more than 350 cars.

In the only project it awarded for the supply of rolling stock in 2020, Renfe entrusted our company with the development of the two batches of metric-gauge trains, the tender process for which began in 2019. This included a total of 37 trains, of which 31 will increase the available fleet to travel on the lines of the extinct FEVE service, which now form part of the ADIF network, operated by Renfe Viajeros, and 6 will completely replace the existing fleet that provides a captive service on the Cercanías commuter train line C-9 service in the centre of Madrid.

This project is the first to be awarded by the Renfe Group among the almost EUR 5,000 million to be awarded as part of its fleet expansion and renewal plans, and we are extremely proud to have earned its trust to cooperate in its expansion and modernisation plans.

To provide service on its rail network, Euskotren has chosen CAF to manufacture 4 new electric units making up the Series 980, which will operate alongside the Series 900 and Series 950, currently in service and also manufactured by us in the past.

Mitsubishi Corporation has once again shown its trust in CAF, displayed in the past in projects such as Line 1 of the Manila Light Rail Transit System in the Philippines, the Istanbul Metro and the construction of a transport system in Canberra, Australia. On this occasion, the project is backed and financed by the Japanese Government and was formalised by the Ministry of Transport and Communications of the Republic of the Union of Myanmar. Our units will service the circular railway of Yangon, which is the country's most important commercial city, and also on the line that joins the city to the capital, Naypyidaw, and to Mandalay, the second most important commercial centre after Yangon.

Returning to the signalling business, and to the Iberian Peninsula, with the same aim of increasing line capacity and improving the reliability of its systems, ADIF awarded CAF Signalling the construction project for the single-track section automatic clearing block system (BLAU) with Centralised Traffic Control (CTC) for the Arahál-Fuente de Piedra route between the provinces of Seville and Malaga.

Also, CAF Signalling entered into an arrangement with the Bulgarian National Railway Infrastructure Company (NRIC), as a member of the "ERTMS CA Voluyak DZZD" consortium, to refurbish and modernise the signalling and telecommunications systems of the section of line connecting the capital Sofia to the village of Voluyak; this route includes the stations of Sofia Central, Obelya and Voluyak and is a strategic project for Bulgaria, as it involves the renovation of the security and signalling systems at Sofia Central, the country's main station and transport hub.

In Europe, CAF has renewed the trust held with several customers. Accordingly, CAF entered into a framework agreement with Ente Autonomo Volturno, a company from the Italian region of Campania, which is in charge of the regional and urban public railway transport service, for the supply of up to ten metro units and the integral maintenance thereof for a period of three years. These new trains will service the Piscinola-Aversa Centro line of the City of Naples metro network.

In the Netherlands, specifically in relation to the capital Amsterdam, GVB Activa B.V., a public company in charge of the city's transport operations, exercised a first option to expand the current supply in order to increase the number of trams to be provided to 72 units. It should be noted that they are bidirectional low-floor vehicles which combine modern design with state-of-the-art equipment, providing maximum accessibility and comfort as well as top performance and ease of use. An agreement was also reached to increase the fleet to 54 units in the province of Utrecht.

A similar situation has occurred in the Swedish capital of Stockholm, where SL AB (Storstockholms Lokaltrafik) exercised a new option to expand the current supply in order to increase the number of trams to be provided, which are specially adapted to the Nordic country's extreme weather conditions, to 52 units.

In the Finnish capital of Helsinki, HKL (Helsingin Kaupungin Liikennelaitos), the company in charge of operating the city's public transport systems, ordered new units from CAF, which will take the total number of suburban line trains manufactured by our Group to 25.

In Belgium, the Flemish bus and tram public operator, De Lijn, exercised one of the extension options included in the contract signed in 2017, increasing to 40 the tram units to service the city of Antwerp and to 88 the total number of trams to be supplied to date.

The various initiatives taken in the maintenance business line have been proven fruitful as contracts have been obtained throughout Europe and in the American continent.

In Norway, the VY Group, which is owned by the Norwegian Government through the Ministry of Transport and Communications and operates the service on the Oslo-Bergen railway line, ordered from CAF, through the latter's subsidiary Euromaint, the maintenance of the rolling stock that provides service on that line, known as Bergensbanen, for the next nine years.

In Northern Ireland, CAF finalised an agreement to extend its maintenance contract for 15 years with Translink, the Northern Ireland public railway operator, for its Series 3000, thereby making us its only maintenance company for this Series in the 30 years it has been in operation.

In Italy, AMAT S.p.A, the Palermo public entity in charge of managing transport in Sicily's capital city, engaged CAF to carry out the maintenance for the next four years of its fleet of trams serving the city, one of the most modern tram systems in Italy.

The Medellín metro awarded CAF the long-cycle maintenance checks for 35 units manufactured by our Company. This contract will mean the continuation of the activity already carried out from the date these units were placed into operation.

In Spain, the Malaga Metro engaged us to provide the maintenance service for the next five years, and Ferrocarriles de la Generalitat Valenciana chose CAF to undertake the average-life maintenance service for the motor bogies and push-pull cars of the units of Metrovalencia's 4300 Series trains.

Lastly, but by no means less importantly, the Fuel Cells and Hydrogen Joint Undertaking (FCH JU), the European Commission agency charged with boosting development of fuel cell and hydrogen energy, selected the proposal led by CAF, together with a large group of companies of the calibre of Renfe and Adif, to name just two, to develop a hydrogen train prototype (H2020). In its various phases, this project will encompass the design and manufacture of an innovative prototype, as well as the testing required for its validation and approval. The aim is to obtain a zero-emission product that can compete, in terms of operating performance, with current diesel trains, both new design and refurbished vehicles.

Enterprising initiatives, such as the initiative recognised by the European Commission, are a source of pride and recognise our role as an active force in the fight for decarbonisation and our efforts to provide sustainable mobility solutions that respect the environment.



## **INDUSTRIAL ACTIVITY**

With a total of 1,024 cars manufactured, 2020 ended with remarkable figures for the CAF Group's industrial business. Together with the more than 54,000 wheels and other rolling stock components dispatched to more than 20 countries worldwide, the figures were among the best in recent years.

Several manufacturing projects were completed in 2020. These included the two projects with the UK operator Northern Arriva which took delivery of the last 6 DMU (Diesel Multiple Unit) trains, plus the 6 EMU (Electric Multiple Unit) trains of the 58 trains of the first type and the 43 of the second type that had been ordered. The list also includes the contract for 24 LRVs (Light Rail Vehicles) entered into with the US city of Boston, to which the last 7 trains were delivered, as well as the 27 trains completing the 118 of the first contract signed with the Dutch operator, Nederlandse Spoorwegen, the 2 trains completing the 8 ordered under the contract with the Norwegian customer, Flytoget, and the 11 trains completing the order of 15 units for the Auckland commuter train network in New Zealand.

The 13 trams for Stockholm, in the three-module and four-module formats included in the order for 20, the 7 units for the city of Lund and the 5 LRVs for Mauritius completing the contract for 18 trains also make up this group.

These are some of the 25 projects that were carried out in 2020 at the Group's various production plants. The rest began the early phases of manufacture in 2020 or continued, having commenced in prior years, as is the case of the 12 push-pull cars built for the US operator Amtrak, 3 trains for the Brussels Metro of the 22 ordered, the first 5 trains manufactured for Naples, the first 5 trains of the 30 ordered, in the eight-car format for Manila, 11 medium distance trains for the West Midlands area of the UK, 27 trams, making 33 manufactured of the total 72 ordered by the city of Amsterdam, 11 trams completing the first delivery batch for Luxembourg and 14 trams of the contract for 22 trams for the city of Utrecht.

Also at this stage is the contract for 12 trains for Schönbuchbahn, with the manufacture of the first 4 trains completed, or the first 17 Civity trains for the extension of 88 units ordered by the Dutch operator NS mentioned above.

Lastly, although they are still at an early stage of manufacture, preliminary operations having commenced, there are other projects, such as the project for Maryland in the US for a total of 26 units, the first structural substructures for the contract for 30 units for the Amsterdam Metro or the first manufacturing stages of the project for 20 trams for the city of Liège, as well as the first phases of construction of the push-pull cars for the contract with the Northern Ireland operator NIR.

The most important products manufactured in 2020 were as follows:

### **No. of Vehicles**

High-speed for Flytoget .....	8
Long-distance Amtrak cars .....	12
Medium-distance Northern by Arriva DMUs (two-car units).....	6
Medium-distance Northern by Arriva DMUs (three-car units) .....	9
Medium-distance Northern by Arriva EMUs (three-car units).....	18
Medium-distance West Midlands (two-car units) .....	14
Medium-distance West Midlands (four-car units) .....	16
Commuter trains for NS (three-car units).....	69
Commuter trains for NS (four-car units) .....	16
Extension of commuter trains for NS (three-car units) .....	27
Extension of commuter trains for NS (four-car units).....	32
Commuter trains for Auckland .....	33
Napoles metro .....	30
Barcelona s/5000 metro .....	30
Barcelona s/6000 metro .....	15
Bruselas metro .....	18
LRV for Boston.....	21
LRV for Schönbuchbahn .....	12
LRV for Mauricio .....	35
LRV for Manila .....	40
Trams for Budapest (five-module units).....	60
Trams for Budapest (nine-module units) .....	9
Trams for Utrecht .....	98
Trams for Luxembourg .....	77
Trams for Amsterdam.....	135
Trams for Stockholm (three-module units) .....	33
Trams for Stockholm (four-module units) .....	8
Trams for Freiburg .....	14
Trams for Lijn.....	65
Trams for Oslo.....	15
Trams for Lund .....	35
Trams for Vitoria-Gasteiz .....	14
<b>TOTAL .....</b>	<b>1,024</b>

### **BOGIES**

With mechanic-welded chassis..... 1,308

### **WHEEL SETS AND COMPONENTS UNITS – (MiIRA)-**

Assembled axles (power car + push-pull car) .....	5,445
Loose axle bodies.....	8,387
Monoblock wheels .....	54,882
Elastic wheels.....	2,997
Couplers .....	706
Gear units.....	2,790
Bandages.....	718

## R&D+i ACTIVITY

The CAF Group's new Innovation Plan for 2020-2021 was defined in the first months of 2020, which is aligned with the Strategic Plan.

The Innovation Plan of the CAF Group rail segment envisages a total of 166 projects, 115 of which are in the Corporate R&D Plan and 51 are in the Product Plans of the various businesses.

The aforementioned projects obtained funding through grants for R&D activities from the following entities:

- Provincial Government of Guipúzcoa
- Basque Autonomous Community Government
- Spanish Ministry of Economic Affairs and Digital Transformation
- Spanish Ministry of Science and Innovation
- European Commission

Projects in which CAF, CAF I + D and different subsidiaries participate have been promoted in the Plan implemented, having continued to collaborate very intensively with different technology centers and universities.

The projects included in the 2020-2021 Innovation Plan encompassed the following fields:

- Specific rolling stock products.
- Digitalisation: projects using Big Data, artificial intelligence and digital twin technology to gather and process data obtained in service for use in product and maintenance enhancements.
- Sustainable vehicles and energy management, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and the development of alternative propulsion systems to diesel, such as those based on battery energy storage and hydrogen fuel cells.
- Signalling (on-board and fixed).
- Development of technologies for autonomous driving.
- Virtual validation and approval environments.
- Specific products and developments using basic rolling stock technologies, traction, wheel sets and axles, gear units, control and communications, maintenance, etc.

All of the above combined the execution of projects aimed at assimilating technologies with the development of products based on such technologies and strategic projects.

The CAF Group participates in joint projects at state level and also as part of the European Union's Framework Programme (H2020). Noteworthy projects included:

- SHIFT2RAIL. As a founder member of the Shift2Rail JU (Joint Undertaking), which promotes rolling stock R&D activities as part of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT1, IMPACT2, CONNECTA 2, PINTA 2, X2RAIL 1, X2RAIL 2, X2RAIL 3, X2RAIL 4, PLASA 2, FINE 2, IN2STEMPO, IN2SMART2, FR8HUB, FR8RAIL 2, FR8RAIL 3, IMPACT 2, LINX4RAIL) which are scheduled to continue until 2022.
- CLUG, a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to a SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and Digital Maps.

- iRel40, a project promoted by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.
- REALTRAIN, which is part of CAF's strategic digitisation initiative and is aimed at developing a new generation of more competitive trains and services through the digitally secure capture, storage, processing and advanced analysis of all the train operations data.

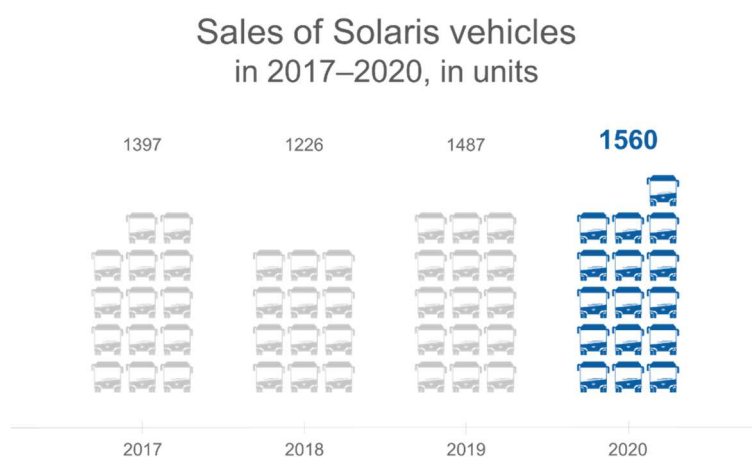
The most significant engineering projects undertaken in 2020 were as follows:

- Trams for Amsterdam (The Netherlands)
- Locomotives for the RATP (France)
- Electric multiple units for Schönbuchbahn (Germany)
- Automated metro for STIB (Brussels)
- DMUs for West Midlands (UK)
- Metro Napoles (Italy)
- LRVs for Manila (Philippines)
- Metro Barcelona (Spain)
- Metro Amsterdam (The Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension trams Freiburg
- Tram of Liège
- DMUs for Wales & Borders (Keolis)
- Intermediate cars and rehabilitation of Units for NIR
- Tram for Parramatta
- Refurbishment of Units Metro of Medellin
- Extension of Units Civity for NS (The Netherlands)
- Trams for Lijn (Antwerp)
- Units of Metro for Docklands (London)
- DEMU Long Regional for Transport of New South Wales (TfNSW)
- Tram of Birmingham
- Tram of Jerusalem
- Trains TET AMLD SNCF
- Metric-gauge and Alpine trains (Cercedilla – Los Cotos) for Renfe

## 4 - BUS SEGMENT - SOLARIS

In 2020, most economies in the world had to face unprecedented challenges. The past few months have also been difficult for the European public transport sector and companies manufacturing vehicles in this sector of the automotive industry. The COVID-19 pandemic and related restrictions prompted Solaris to establish special procedures and to develop solutions to maintain the continuity of its business activities. However, the company has proved that, even in the toughest of times, it keeps promises made to its clients and business partners. The great deal of effort the whole organisation and its employees have put into continuing its activities and implementing protective measures have thus yielded tangible results.

In 2020, Solaris recorded a substantial increase in sales and revenues and, what is more, all these were record numbers. In 2020, a new record for the number of sold vehicles was established, 1,560 units, which is the highest number ever achieved in Solaris' 25-year history. Compared to 2019, this represents a rise of nearly 5% (1,487 units in 2019).

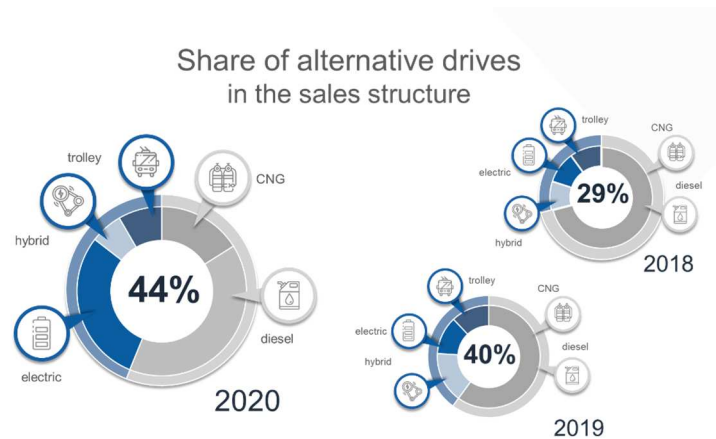


In the period in question, Solaris buses and trolleybuses made their way to carriers in 19 countries. The largest numbers of vehicles were delivered in 2020 to Germany, Poland, Italy, Estonia, Czech Republic, Israel, Switzerland and Spain.

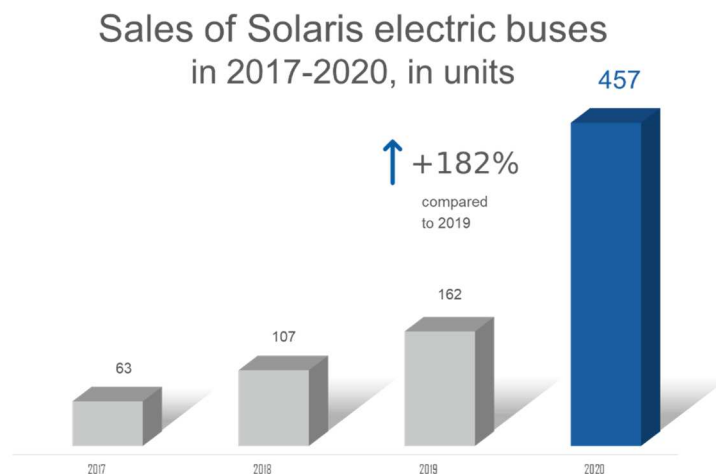
Moreover, 2020 was a record year for Solaris in terms of the number of vehicles sold in Germany. The bus manufacturer supplied a total of 329 vehicles to German public transport operators, out of which 40% were 12- and 18-metre (articulated) battery electric buses.

Also worthy of note is that Solaris became the market leader for low-floor city buses in Poland for the 18th year in a row, by achieving a 53% share in this segment. This translates into a year-on-year increase in the company's market share in Poland of 11% (42% in 2019). The Solaris buses sold in Poland in 2020 included primarily electric buses (194 out of 365 units sold in total). The whole fleet of Urbino electric buses in Poland amounts to over 320 vehicles, supplied to 27 towns and cities, i.e. they make up as much as 90% of all e-buses in the country.

Importantly, in 2020 Solaris recorded a particularly impressive growth in sales of buses with low- and zero-emission drives. In 2018, hybrid buses, e-buses and trolleybuses constituted in total 29% of all vehicles sold by the manufacturer. In 2019, this figure stood at 40%. This trend was continued in 2020 leading to the number of sold vehicles with alternative drives growing to up to 44%. Dynamic growth in the share of electric buses in the production and sales mix of Solaris is consistent with the long-term development strategy of the firm.



In 2020, Solaris was the largest manufacturer of city e-buses in Europe, claiming a share of 20%. Last year, the company supplied a total of 457 electric buses. This was nearly three times more than in the previous year, when 162 Urbino electric units, made their way to clients.



The biggest contracts for the supply of electric buses executed in 2020 included a delivery of 130 articulated Solaris Urbino electric buses for public transport operator Miejskie Zakłady Autobusowe in Warsaw, 90 Solaris Urbino electric buses for operator ATM in Milan, and 106 e-buses for Berlin-based public transport company BVG.

Also noteworthy is the fact that the jubilee Urbino bus, i.e. the 20,000th vehicle produced since 1996 (i.e. since the founding of the company), was one of the 130 e-buses delivered to operator MZA in Warsaw. So far, Solaris buses have been delivered to 32 countries and over 750 towns and cities. The impressive number of 20,000 consists of, among other things, over 1000 e-buses that already cruise along streets in 18 countries, operated by almost 100 European carriers.

The higher share of innovative battery and hybrid technologies in the sales volume in 2020, as well as the company's intensified activities in the areas of after sales service and spare parts sales, are reflected in a considerable increase in the company's revenues. Last year, they amounted to over EUR 725 million, (EUR 650 million in 2019).

## Solaris revenue in 2017-2020 in million EUR



In 2020, the manufacturer won significant tenders for the delivery of electric buses in 2021 or later. The order book for 2021 contains, among other things, 50 articulated Urbino electric buses for operator MPK in Cracow, 37 e-buses for operator MPK Poznań, and 16 zero-emission buses for the Romanian city of Craiova. Solaris also made it onto the shortlist of suppliers to deliver up to 530 electric buses for German operator Hamburger Hochbahn. The carrier from Hamburg only placed its first order for 10 electric buses in 2020. In 2021 Solaris e-buses will be also delivered to operators from France, Latvia, the Netherlands, Spain, Italy and Switzerland.

The contribution of Solaris to the development of the e-mobility market was appreciated in 2020, for instance, by the organisers of the Global E-mobility Forum. During the event, which gathered representatives of governments, scientists and world industry leaders, the company was awarded the title of Global e-mobility leader 2020.

Solaris has been strengthening its position as Europe's e-mobility leader not only through the development of electric battery vehicles, but also by investing consistently and in the long term in the perfection of solutions implemented in hydrogen buses. The manufacturer believes that the development of all e-mobility branches, be they battery buses, trolleybuses or hydrogen-fuelled vehicles, should proceed in synergy, and that this process is part and parcel of ensuring sustainable transport for the future. Currently, Solaris offers its clients a comprehensive emission-free bus portfolio thanks to which Solaris is ready to meet not only today's challenges of ensuring sustainable public transport but also the diverse needs of carriers, passengers and drivers.

According to market forecasts, the hydrogen-fuelled city bus segment will grow dynamically in Europe over the next 10 years. Having won several significant tenders for the delivery of hydrogen vehicles in 2020, the company has proved that it is ready for the market's fast-changing needs. The bus maker secured orders for the supply of hydrogen buses from operators in the Germany, the Netherlands, Italy and Sweden.

The development of new products and commencing their serial production, as well as the sale of cutting-edge solutions, are naturally key elements that account for Solaris' market advantage in Europe. In 2020, the company presented a completely new type of electric bus measuring 15 metres. The low-entry Solaris Urbino 15 LE electric bus opens a new chapter in the development of the Solaris brand, as from now on the Urbino electric can go beyond city boundaries. This is also a breakthrough moment for intercity transport as regards its transition to emission-free mobility. The tri-axle Urbino bus is the first product in Solaris' electric range that meets the requirements for both the first and second vehicle class, and also for both these classes at the same time. This means that the bus can be operated both as a city bus and on intercity routes. Thanks to the batteries' high energy density, the vehicle can cover a distance of up to several hundred kilometres on a single charge in real-life conditions. This solution will make it possible for operators to plan zero-emission routes not only within city confines but also beyond them.

Another brand new product unveiled by Solaris last year was a mild hybrid model. Diesel-electric drives as such are nothing new in the Solaris range. The first Urbino hybrid bus was

unveiled in 2006. Back then, Solaris was the first European producer to offer a serially produced bus with a hybrid (diesel-electric) drive. However, the mild hybrid is a novel solution. It is a response to the needs of public transport operators for innovative urban transport vehicles which minimise the impact of such transport on the natural environment, while at the same time allowing them to reduce fuel consumption and to generate considerable savings. This type of drive was developed by using recuperation technology in buses - a technology that uses energy generated during braking. Thanks to it, mild hybrid vehicles release less pollutants and are more environmentally friendly than required according to restrictive Euro 6 emissions standards for diesel engines. The launch of the mild hybrid model has enriched Solaris' existing portfolio when it comes to low-emission vehicles: the Urbino hybrid and the Urbino CNG.

The year 2020 and the COVID-19 pandemic posed new challenges to many companies from the public transport sector. For public transport operators, new needs concerning improving the safety of passengers and drivers have emerged. Solaris responded to these needs very swiftly and in July 2020 it unveiled an "anti-coronavirus" package to minimise the risk of infection among those who have to travel during the pandemic. The solutions have been devised for both newly manufactured vehicles, as well as those which have already been delivered to clients.

All of the proposed solutions have already been tested in real-life urban conditions. What is more, Solaris has also drafted detailed recommendations for its clients regarding the use and maintenance of ventilation and air-conditioning in buses. These concern, among other things, the frequency and manner of washing and of disinfecting the air-conditioning, or the exchange of filters and the compatible types. Thanks to these instructions, it is possible to enhance the safety of passengers and to limit the risk of spreading infections in the bus.

In addition to new products that Solaris launched on the market in 2020, a development project initiated by the company called "A second lease of life for batteries" is also worth mentioning. A consortium comprised of Solaris and Impact Clean Power Technology S.A., in collaboration with TAURON Polska Energia, will implement a project titled "Second Life ESS" with the aim of creating a prototype system to store electric energy based on retired bus batteries. The project is being co-financed by the National Centre for Research and Development [NCBiR]. The aim of the project is to utilise lithium-ion cells whose parameters are no longer optimal when it comes to supplying power to vehicles. But thanks to their integration in energy storage systems, they may gain a second lease of life. Thus, the life cycle of batteries that are not disposed of, but reused, is prolonged. A storage system made of used batteries constitutes an important component of the modern grid, combining the generation of energy from conventional and renewable sources with its storage and supply to the final customer. What is more, modern battery storage solutions contribute to grid stability, with a steadily increasing share of renewable energy sources.

They also boost the quality of electricity supplied and support the development of e-mobility and micro-grids. The work, aimed at developing an energy storage prototype system, is due to be completed in 2022.

The year 2020 was a time of unprecedented challenges for many companies, including those from the public transport sector. Even though the continent had to deal with the pandemic from the beginning of the year, Solaris made every endeavour to maintain the continuity of its business activities. Owing to the fantastic and responsible attitude of its employees as well as excellent collaboration with its clients and business partners, Solaris has finished this year with record sales numbers. The company has proved to its clients that they can rely on Solaris even in the toughest of times.



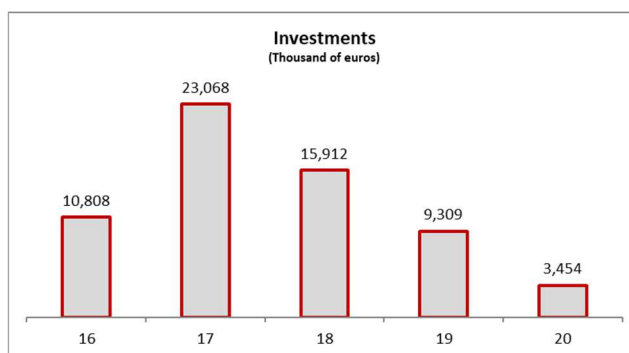
## 5 - INVESTMENTS

Capital expenditure by the Company in 2020 amounted to EUR 3,454 thousand. The most salient investments in 2020 are as follows:

In the MiiRA wheelset line of business, the plan to modernise axle forging included a change in the manipulator and automation of the manufacturing process, which will lead to a reduction in costs and greater project efficiency. In addition, a new cooling facility was implemented in one of the heat-treatment lines, also for the purpose of automating it, thereby improving the control and quality of the process.

As regards the manufacture of trains, the most salient investments in the plan to transform the production model currently underway in the train manufacturing area included the acquisition of equipment for the bogie multiproject manufacturing lines in order to increase efficiency in this operation, the modernisation of the equipment and facilities in the finishing area and the start of work at the Zaragoza plant to adapt and equip a new building where production of the car body structures for the Urbos platform trams will be centralised.

In the digital area, the CAF Group continued with the renewal of the infrastructure for the extension of its storage capacity and the improvement of data processing, without neglecting investment in the security of both the internal and the perimetral network, and increasing capacity and availability in the communication environment.



## 6 - MAIN RISKS AND UNCERTAINTIES

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

With the commitment to addressing this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to providing greater certainty and security in:

- Achieving the strategic objectives set by the CAF Group with a controlled volatility;
- Providing the utmost level of guarantees to shareholders;
- Protecting the CAF Group's results and reputation;
- Defending the interests of stakeholders; and
- Ensuring business stability and financial strength in a sustained way over time.

To do so, the General Risk Management and Control Policy is implemented throughout the entire CAF Group by means of an Integrated Risk Management and Control System. This system constitutes a series of rules, processes, procedures, controls and IT systems, whereby all the risks are appropriately managed by means of the following system phases and activities, which include:

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, in line with the main risks detailed in the Policy, faced by the Group.
3. Analysis of the risks identified and what they entail for the CAF Group as a whole;
  - Corporate Risks – Risks affecting the Group as a whole.
  - Business Risks – Risks specifically affecting each of the businesses/projects, which vary in accordance with the particularities of each of them.
4. Risk assessment based on the defined risk appetite;
5. The measures envisaged to address the risks; and
6. Regular monitoring and control of current and potential risks through the use of information and internal control systems.

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards as regards the use of an effective methodology for the comprehensive analysis and management of risks and the Three Lines of Defence Model in relation to the allocation of responsibilities in the risk management and control area.

In this regard, the Board of Directors is ultimately responsible for the General Risk Management and Control Policy, and approves the appropriate procedures to identify, measure, manage and control risks. It is also responsible for establishing clear lines of authority and responsibility and requires the existence of appropriate methodologies to measure the various types of risks and the effective internal controls to manage them. It is the body responsible for establishing and monitoring the Integrated Risk Management and Control System implemented at the Group and verifies whether the significant risks for the Group are consistent and fall within the defined risk tolerance level.

The Audit Committee is responsible for the independent oversight or assessment of the effectiveness of the Integrated Risk Management and Control System implemented and of the procedures designed to monitor it. To do so it will be supported by the Risk Management Department and additionally by the internal audit function.

The most significant risks the Group is facing can be categorised as follows:

- Strategic risks: these are risks arising from the uncertainty that macroeconomic and geopolitical conditions represent, in addition to characteristics inherent to the industry and markets in which the Group operates and the strategic planning and technological decisions adopted.
- Financial risks: arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:
  - Market risk, which includes the following risks:
    - Interest rate risk: risk of fluctuations in interest rates that might give rise to changes in the Group's profit or loss and the value of its assets and liabilities.
    - Foreign currency risk: risk arising from fluctuations in exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.
    - Commodity price risk: risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.
  - Credit risk: this risk relates to doubtful debts, insolvency proceedings or bankruptcy or possible default on payment of quantifiable monetary obligations by counterparties to which the Group has actually granted net credit that is yet to be settled or collected.
  - Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the company's credit rating or other reasons. In relation to assets, it is the risk of being unable to find at any given time parties to purchase an asset at the arm's length price or to obtain an arm's length price.

The Group's exposure to market risk and credit risk is detailed in Note 5, "Management of financial risks", and the use of derivative financial instruments to hedge the risks to which its activities are exposed is detailed in Note 15, "Derivative financial instruments", to the separate financial statements.

- Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual property, etc.) and the possible contingencies arising therefrom. Risks relating to legal proceedings, administrative procedures and claims are also included.
- Operating Risks: inherent to all the Group's activities, products, systems and processes that have an economic and reputational impact arising from human/technological errors, insufficiently robust internal processes, or the involvement of external agents.
- Corporate governance risks: arising from potential non-compliance with the Group's Corporate Governance System that governs the design, integration and operation of the governance bodies and their relationship with the Parent's stakeholders and that in turn are based on the commitment to ethical principles, best practices and transparency and are organised around the defence of the company's interests and the creation of sustainable value.
- Compliance and Regulatory Risks: arising from the breach of applicable national and international regulations and laws irrespective of the activity in question, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market regulations, antitrust and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

Due to its global risk scope, the Integrated Risk Management and Control System is

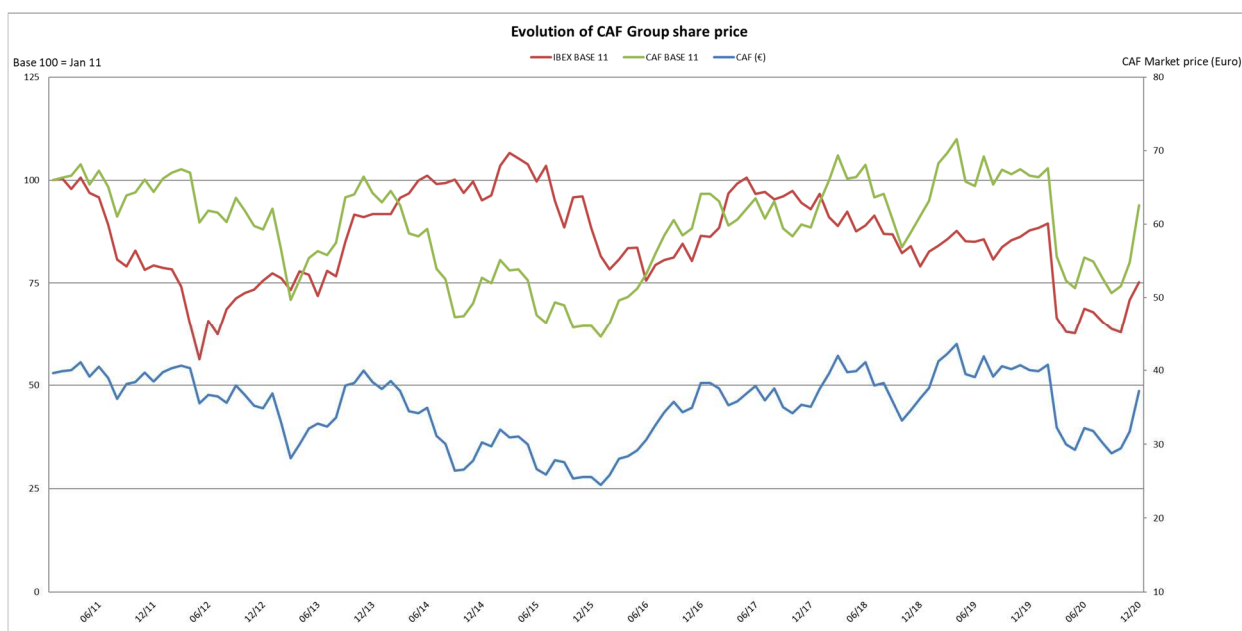
continuously updated to include new risks that might affect the Group as a result of changes in the environment or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and controlling the system.

Mention must be made of the emergence of COVID-19 at global level in 2020. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

Similarly, in 2020 the monitoring and control relating to the measures and action plans established to mitigate the consequences of Brexit continued. The most significant measures focused on reducing the operational risks of the projects for impacts as a result of changes in customs and/or import tariff procedures and the movement of people in various Brexit scenarios.

## 7 - STOCK MARKET INFORMATION

	2020	2019	2018	2017	2016
<b>Market price-</b>					
Market capitalisation at year-end (millions of euros)	1,346	1,406	1,241	1,172	1,313
Closing price (euros)	39.25	41.00	36.20	34.18	38.30
Low (euros)	25.20	35.30	31.30	32.22	20.66
High (euros)	43.30	44.90	43.60	39.50	38.39
<b>Data per share (euros)-</b>					
Earnings per share (EPS)	0.26	0.72	1.27	1.24	1.02
Dividend per share	0.00	0.842	0.765	0.66	0.58
<b>Market ratios-</b>					
PER (average market price/EPS)	127.70	56.34	30.14	29.06	30.30
Market average price/EBITDA adjusted	5.71	5.72	6.50	6.84	7.84
PBV (average market price/BV)	1.82	1.90	1.74	1.64	1.37
Dividend yield	0%	2.07%	2.00%	1.84%	1.87%
Pay-out ratio (Dividend/EPS)	0%	117%	60%	53%	57%
<b>Liquidity ratios-</b>					
Free-float rotation	70%	47%	65%	71%	89%
Traded volume (millions of shares)	11.3	8.4	10.8	11.8	15.6



## 8 - EVENTS AFTER THE REPORTING PERIOD

As in December 31 of 2020, there was a firm order book, net of the amounts corresponding to interim billings, for an amount of approximately 8,807,278 thousand euros (9,446,468 thousand euros as of December 31, 2019) (Note 12).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

## 9 - ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2020 neither Construcciones y Auxiliar de Ferrocarriles, S.A. nor its subsidiaries purchased or held treasury shares.

## 10 - PAYMENTS TO SUPPLIERS

The average period of payment to suppliers in 2020 was 86.34 days. In order to reduce this period to the maximum payment period established by Law 11/2013, the Company is making an effort to align events giving rise to payments with those giving rise to collection in order to reduce the payment time without losing the necessary liquidity.

## 11 - ALTERNATIVE PERFORMANCE MEASURES

**Backlog:** this represents the volume of firm orders that will be recognised in the future under "Revenue" in the consolidated statement of profit or loss. An order is considered firm only where obligations between the CAF Group and the customer arise. In the case of sales of trains, buses and services, obligations are deemed to arise when the parties sign the agreement.

**Contracts in the year:** this includes firm orders in the year and potential modifications to orders from prior years, and is obtained as follows: (Backlog at end of reporting period - Backlog at beginning of the reporting period + Revenue). This measure does not include the backlog acquired through business combinations in the year.

**EBITDA:** the CAF Group's EBITDA is calculated by deducting from "Profit from Operations" in the statement of profit and loss the amounts recognised under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

**Cash-Flow:** the CAF Group's cash flow is calculated by deducting from "Profit for the Year" in the statement of profit or loss the amounts recognised under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

**Market capitalisation at year-end:** the value of the shares at the closing of the last trading day of the year multiplied by the number of outstanding shares traded on the stock market (see Note 13 to the financial statements).

**Free-float rotation:** ratio that compares the volume of shares traded with the estimated number of shares included in the float, excluding those shares held by significant shareholders, members of the Board of Directors and treasury shares. The estimated free float % is disclosed in the Annual Corporate Governance Report (section A.11).

## **NON-FINANCIAL INFORMATION STATEMENT**

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. is the Parent of the CAF Group and has prepared the Non-Financial Information Statement in accordance with the Spanish Law 11/2018 on non-financial information and diversity. This Non-Financial Information Statement is included in the Consolidates Director's Report, which will be deposited, together with the Consolidates Financial Statements, at the Guipúzcoa Mercantile Registry where the Parent of the CAF Group is registered.

**12 - ANNUAL CORPORATE GOVERNANCE REPORT FOR 2020**



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*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](http://www.caf.net)). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**ISSUER IDENTIFICATION DETAILS**

YEAR END-DATE

31/12/2020

TAX ID (CIF)

A20001020

Company name:  
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Registered office:

JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GIPUZKOA

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**A. CAPITAL STRUCTURE**

A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	34,280,750

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes  
[v] No

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.56	0.00	0.00	0.00	24.56
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
NORGES BANK	3.04	0.00	0.22	0.00	3.26
INVESCO LIMITED	0.00	1.02	0.00	0.00	1.02

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, S.L.	5.00	0.00	5.00
INVESCO LIMITED	GROUP'S COMPANIES	1.02	0.00	1.02

Indicate the most significant changes in the shareholder structure during the year:

Most significant changes

On 12 March 2020, DANIMAR 1990, S.L. reached the threshold of 5% of the share capital.

On 14 April 2020, the ownership interest of EDM GESTIÓN, Sociedad Anónima Unipersonal, S.G.I.I.C. dropped below the threshold of 3% of the share capital.

On 22 June 2020, NORGES BANK exceeded the threshold of 3% of the share capital.

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Total percentage of voting rights held by the Board of Directors</b>	0.00
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments
No data					

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A	Contractual	Workers' share instrument in CAF's share capital
KUTXABANK, S.A.	Corporate	Creation of an Economic Interest Grouping for projects with Metro of Barcelona

A.6 Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia is a member of the Board of Trustees of several Voluntary Social Welfare Entities (EPSVs) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	Mr Domínguez de la Maza is a member of the Board of Directors of INDUMENTA PUERI, S.L. as well as joint and several attorney-in-fact of the latter and of GLOBAL PORTFOLIO INVESTMENTS, S.L.

Ms Idoia Zenarrutzabeitia Beldarrain has been appointed as Proprietary Director by proposal of the significant shareholder KUTXABANK, S.A., on 13 June 2020, replacing the director Mr José Antonio Mutiloa Izaguirre whose position expired on 11 June of the same year.

Furthermore, Mr. Manuel Domínguez de la Maza was also appointed as Proprietary Director of the Company, under the resolution of the Annual General Meeting of the same date, in representation of the significant shareholder INDUMENTA PUERI, S.L.

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

- Yes  
 No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

- Yes  
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

- Yes  
 No

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The CAF General Meeting held on 13 June 2020 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates. b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law. c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law. d) Acquisitions shall be done at market price. e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force. f) This authorisation shall be valid for a five-year term.

Also, the Annual General Meeting held on 2 June 2018 resolved to empower the Board of Directors to increase the share capital through the issuance of new shares against monetary contributions over a period of five (5) years and up to half of the amount of the share capital, pursuant to Article 297.1.b) of the Spanish Limited Liability Companies Law.

A.11 Estimated floating capital:

	%
Estimated floating capital	47.09

A.12 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

- Yes  
 No

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

- Yes  
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

- Yes  
 No

If so, indicate each share class and the rights and obligations conferred.

**B. GENERAL SHAREHOLDERS' MEETING**

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B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

- Yes  
 No

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

- Yes  
 No

**B.3 Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.**

The regime for modifying the Company Bylaws does not present differences with respect to the provisions of Articles 285 et seq of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, which require the approval of the Annual General Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Therefore, section eight of Article 13 of the Bylaws empowers the Annual General Meeting to resolve upon the modification thereof. Article 20 of those Bylaws provides that, in order to adopt resolutions on the issuance of convertible debentures or of bonds that give bondholders a share in company profits, the increase or reduction of capital, the suppression or limitation of the pre-emption rights of new shares, the transformation, merger or spin-off of the Company or the transfer en bloc of assets and liabilities, the transfer of the registered address abroad and, in general, any modification of the Bylaws, it will be necessary, on first call, that the shareholders in attendance, in person or by proxy, account for at least 50% of the share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. On second call, when the shareholders in attendance account for 25% or more of the share capital with voting rights but less than 50%, the aforementioned resolutions may be adopted validly with the vote of two thirds of the capital present either in person or by proxy at the Meeting. Also, in compliance with the provisions of Article 286 of the LSC, when the Ordinary or Extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must with due clarity express the matters to be modified and the rights of every shareholder to examine at the registered office the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent (Article 16 of the Bylaws).

Pursuant to Article 21 of the Bylaws, the shareholders that hold a thousand or more Company shares may attend the Annual General Meeting and take part in its deliberations with a right to speak and vote. Shareholders that have fewer shares may group together and give their representation to another shareholder in order to reach a thousand or more shares. Any shareholder entitled to attend may be represented at the Annual General Meeting by another person, even if that person is not a shareholder.

**B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:**

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
10/06/2017	27.60	43.52	0.00	0.00	71.12
Of which, free float:	0.09	23.08	0.00	0.00	23.17
02/06/2018	25.53	49.17	0.00	0.00	74.70
Of which, free float:	0.23	28.82	0.00	0.00	29.05
15/06/2019	37.52	34.54	1.64	1.66	75.36
Of which, free float:	2.29	26.54	1.64	1.66	32.13
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01

**B.5 Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.**

- [ ] Yes  
 [ v ] No

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

- Yes  
 No

<b>Number of shares required to attend General Meetings</b>	<b>1,000</b>
<b>Number of shares required for voting remotely</b>	<b>1</b>

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

- Yes  
 No

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The corporate information is available under "Shareholders and investors" of the corporate web site ([www.caf.net](http://www.caf.net)). The complete path is <http://www.caf.es/es/accionistas-inversores/index.php>.

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Spanish Capital Companies Act, the Consolidated Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 23 June, from the National Securities Market Commission, on technical and legal specifications and information to be contained in the web sites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Code of Conduct within the sphere of Securities Markets; the membership of the Board of Directors and its committees; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the "Modern Slavery Act" and Sustainability Report).

In addition, the subsection on "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the resolutions adopted after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

In order to facilitate the exercise of remote voting rights, proxy voting and telematic attendance at the Annual General Meeting, for the first time in 2020 a computer platform was enabled on the Company's website, indicating the rules applicable to each case.



## C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Executive	CHAIRMAN AND CEO	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other External	DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Independent	COORDINATING INDEPENDENT DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	10/06/2017	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS MARTA BAZTARRICA LIZARBE		Executive	DIRECTOR – SECRETARY OF THE BOARD	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS IDOIA ZENARRUTZABEITIA BELDARRAIN		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

<b>Total number of directors</b>	<b>11</b>
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JOSÉ ANTONIO MUTILOA	Proprietary Director	11/06/2016	13/06/2020	--	No

Cause of removal, when it has occurred prior to the conclusion of the term of office and other observations; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the Annual General Meeting

After the Annual General Meeting held on 13 June 2020, Mr. José Antonio Mutiloa Izaguirre's a membership of the Company's Board of Directors expired, at the end of the four-year term for which he was appointed director pursuant to a resolution of the Annual General Meeting of 11 June 2016

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. He has been a Director of CAF since 1991. On 26 July 2006, he was appointed Chief Executive Officer, a post he has held ever since. Since 29 December 2015, he has been Chairman of the Board of Directors of CAF.
MS MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Management from ICADE. She has developed her professional career at CAF and holds the position of Director of the Group’s Legal and Compliance Department. She is Secretary of the Board of Directors of CAF and its Committees.

<b>Total number of executive directors</b>	<b>2</b>
<b>Percentage of Board</b>	<b>18.18</b>

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Ms. Idoia Zenarrutzabeitia is a graduate in Law specialising in law and economics, from University of Deusto. She has held, among others, the positions of member of the Basque Parliament and Deputy-Lehendakari (President) and Minister of Finance and Public Administration of the Basque Autonomous Community Government-. She has been Director of the National Energy Commission and the Spanish National Markets and Competition Commission (CNMC). She is currently a member of the Board of Trustees of several EPSVs of BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Mr. Manuel Domínguez de la Maza is a graduate in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master’s Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, S.A., where he has held the position of General Manager since 2007.

<b>Total number of proprietary directors</b>	<b>2</b>
<b>Percentage of Board</b>	<b>18.18</b>

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
MR JAVIER MARTÍNEZ OJINAGA	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management.
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from "Instituto de Empresa". Most of her professional career has been spent in the financial industry, occupying various management positions. She has been an independent director and Chairwoman of the Audit Committee of eDreams ODIGEO.
MR JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is also the sole director of Samuelson Consulting, S.A. and Samuelson Logistics, S.A. and a board member of CITYNET, S.A.
MS ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is also a partner of the consulting firm Vesper Solutions.
MR IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is currently a member of the Advisory Committee of Ericsson España and Accenture.

<b>Total number of independent directors</b>	<b>5</b>
<b>Percentage of Board</b>	<b>45.45</b>

The independent directors have not received any payment or benefits other than directors' remuneration; nor have they had any business dealings with the Company or any Group company.

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

**OTHER EXTERNAL DIRECTORS**

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is	Profile
MR LUIS MIGUEL ARCONADA ECHARRI	Director Mr. Luis Miguel Arconada Echarrri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.	MR LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world.
MR JUAN JOSÉ ARRIETA SUDUPE	The director Mr. Juan José Arrieta Sudupe does not have any relationship with the Company or with its senior executives or shareholders. However, he cannot be classed as independent since he has been a director for a continuous period exceeding 12 years.	MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools.

<b>Total number of other external directors</b>	2
<b>Percentage of Board</b>	18.18

Indicate any changes that have occurred during the period in each director's category:

Name of director	Date of change	Previous Status	Current status
MR JUAN JOSÉ ARRIETA SUDUPE	07/06/2020	Independent	Other external

Pursuant to Article 529 duodecies of the Spanish Limited Liability Companies Law, Mr. Juan José Arrieta Sudupe went on to hold the category of "Other external director" after having spent a continuous period of twelve years as a member of the Board of Directors, since having first been appointed as a director on 7 June 2008, a fact that was reported to the market through the corresponding communication of Other Relevant Information.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of directors for each			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1				50.00	0.00	0.00	0.00
Independent	2	2	2	2	40.00	33.33	40.00	40.00
Other external					0.00	0.00	0.00	0.00
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>36.36</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the gender diversity policy that they have put in place.

- Yes
- No
- Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of the policies, their objectives, the related measures and the manner in which they have been applied and the outcome of their implementation
<p>In light of the most recent regulations on diversity with regard to the selection criteria of directors, the Board of Directors of the Company, by proposal of the Appointments and Remuneration Committee, has agreed to update the Directors Selection Policy, with the approval of the latest Director Diversity and Selection Policy at a meeting held in 2018, which has replaced the previous version.</p> <p>On 17 December 2020, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, agreed to modify the aforementioned Policy considering both the provisions of Technical Guide 1/2019 on Nomination and Remuneration Committees, and the latest developments introduced in the partial reform of the Code of Good Governance of Listed Companies, of June of the same year.</p> <p>The Director Diversity and Selection Policy of CAF (the "Policy"), which is specific and verifiable in nature, 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 from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.</p> <p>The Board of Directors and its Committees should have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees.</p> <p>Accordingly, the criteria aimed at guaranteeing the diversity in the Board of Directors will serve in the necessity of the Board of Directors applicable to the selection of candidates to become directors. To do so, the Board's competencies matrix will be taken into account, which will be kept updated by the Nomination and Remuneration Committee.</p>

Specifically, diversity criteria may restrict the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Specifically, diversity criteria have been adopted with regard to the following

Categories:

Training and professional experience:

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.

In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

In relation to the composition of the committees, their members will be appointed from among the directors taking into account the most appropriate profiles for each Committee.

In particular, it will be ensured that the directors who form part of the Audit Committee have, as a whole, the requisite knowledge of accounting, auditing and risk management, both financial and non-financial, and of the business. Also, and whenever possible, it will be ensured that the members of the Nomination and Remuneration Committee are appointed taking into account their knowledge and experience in areas such as corporate governance, human resources, selection of directors and executives, and design of policies and remuneration plans, all this in accordance with the provisions of the Regulations of each Committee.

**C.1.6** Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of women in executive positions:

#### Explanation of measures

CAF's Appointments and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 4 of the current Company's Director Diversity and Selection Policy. Also, Article 3 of the Committee's Regulations establishes as one of its functions that of "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors, as explained in the previous sections.

In 2020 the Committee submitted to the Board of Directors the proposal for the re-election of an independent director, as well as the preliminary reports for the re-election of an executive director and for the appointment of a proprietary director.

As a result of the resolutions adopted by the Annual General Meeting of 13 June, the number of women on the Board of Directors increased to four. By doing so, the company has met the 30% target established in Recommendation 14 of the CBGSC until its review in June of this year, for the fourth year in a row.

As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director. Additionally, the Head of Internal Audit is a woman.

Also, the Company is promoting the inclusion of women in the management committees of the Group's business units, as well as in those of the subsidiaries CAF P&A, CAF SIGNALLING and CAF TE, with significant headway having been made in recent years.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
<p>CAF promotes equality in the selection and promotion processes, and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. In fact, as explained in the previous sections, the Company has been making progress in recent years in relation to the incorporation of women both in the Board of Directors and in managerial positions within the organisation.</p> <p>As provided for in CAF's Code of Conduct, the Sustainability Policy and the Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men.</p> <p>To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies.</p> <p>In turn, the Collective Agreement of CAF, S.A. states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men.</p> <p>Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes.</p> <p>In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.</p>

**C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at favouring a suitable composition of the Board of Directors.**

<p>On 17 December 2020, the Appointments and Remuneration Committee issued its Annual Report on the compliance with the Director Diversity and Selection Policy.</p> <p>As indicated previously, in 2020 the shareholders at the Annual General Meeting approved the re-election of an independent director and an executive director and the nomination of two independent directors.</p> <p>In accordance with the drawn conclusions contained in its Report, the Appointments and Remuneration Committee of CAF deemed that the provisions of the Director Diversity and Selection Policy of CAF had been appropriately complied with for all cases. Specifically, it should be noted that all the appointments and re-elections agreed upon in 2020 were based on the analysis of the needs of the Board, in accordance with the matrix of competencies, in order to favour diversity, avoiding any implicit biases that could lead to discrimination based on reasons of age, gender, disability, or any other personal attribute.</p> <p>The consequence of these appointments and incorporations in previous years is a Board of Directors made up of eleven members, which is within the limit established in the bylaws, the Board Regulations and in Recommendation 13 of the CGG. Its composition is balanced and the training and experience of its members is diverse, being both highly qualified and with professional experience, bringing together various competencies that are relevant to the Company's future strategy. It also has a variety of ages and gender diversity, as well as a significant percentage of independent directors, in line with the best Corporate Governance practices.</p>
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**C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:**

Name or company name of shareholder	Reason
No data	

Detail any failure to address formal requests for Board representation from shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

- Yes  
 No



C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name of director	Brief description
MR ANDRÉS ARIZKORRETA GARCÍA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name of director	Name of group member	Position	Does the director have executive powers?
MR ANDRÉS ARIZKORRETA GARCÍA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INDIA PRIVATE LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NEW ZEALAND LIMITED	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF RAIL AUSTRALIA PTY LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF CHILE S.A.	Chairman	NO
MR ANDRÉS ARIZKORRETA GARCÍA	CAF ARGELIA EURL	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NETHERLANDS B.V.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF FRANCE SAS	Chairman	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NORWAY AS	Sole Director	YES
MS MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇÃO, S.A.	Director	NO
MS MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name of director	Name of listed company	Position
MS CARMEN ALLO PÉREZ	eDreams ODIGEO	DIRECTOR

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

- Yes  
 No

**Explanation of the rules and identification of the regulating document**

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four Boards of Directors in listed companies other than the Company or its group.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Board remuneration in financial year (thousand euros)	1,716
Amount of vested pension interests for current members (thousand euros)	3,830
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name	Position
MR JOSU IMAZ MURGUIONDO	GENERAL CHIEF OF VEHICLES
MR IBON GARCÍA NEILL	DIRECTOR OF RAILWAY SERVICES
MR URTZI MONTALVO IBARGOYEN	DIRECTOR OF OTHER BUSINESS
MR AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL OFFICER AND STRATEGY
MR JESÚS MARÍA IBARBIA IRIONDO	DIRECTOR OF TECHNOLOGY
MR GORKA ZABALEGI AGINAGA	CHIEF HUMAN RESOURCES OFFICER
MS IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR
Number of women in executive positions	1

Women as a percentage of the total executive positions	14.28
Total remuneration for senior executives (in thousands of euros)	2,369

The total figure of the remuneration of senior executives includes the remuneration, in regard of the portion accrued during their tenure in office in 2020, of five senior executives who held that position at the beginning of the year, but who did not have that status at year-end.

**C.1.15 Indicate whether the Board regulations were amended during the year:**

- Yes  
 No

**Description of amendments**

On 17 December 2020, the Board of Directors unanimously approved the amendment of Articles 3, 5, 6, 8, 9, 10, 11, 13, 14, 16, 17, 18, 19, 21, 22, 23 and 34 of its Regulations, in order to adapt them to the Code of Good Governance for Listed Companies after the review thereof conducted by the CNMV in June 2020, and include certain technical improvements.

The amended Regulations were filed at the Guipúzcoa Mercantile Registry on 14 January 2021 and communicated to the CNMV on 20 January 2021. Also, they have been published since that date on CAF's corporate website (<https://www.caf.net/es/accionistas-inversores/gobierno-corporativo/reglamento-consejo-administracion.php>).

**C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.**

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. Disqualification according to legal grounds shall apply (Article 29 of the bylaws). Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the bylaws). Additionally, in exercising its powers to submit proposals at the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of the Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors, these last being at least one third of the total Board membership (Art.7 of the Board Regulations).

Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Appointments and Remunerations Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Appointments and Remuneration Committee. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance scheme. Likewise, Directors should also be offered refresher programmes when circumstances so advise (Article 15 of the Board Regulations).

**C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:**

**Description of amendments**

The Board of Directors, on the basis of previous reports issued by Committees, and by the independent external consultant, the results of which were positive, has positively evaluated the performance of the Board and its Committees in 2020 and has verified that all Action Plans scheduled for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for the 2021 fiscal year, however, they do not led to any significant changes to the internal organisation or in the procedures concerning its activities.

**Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.**

**Description of the evaluation process and evaluated areas**

In accordance with Article 5.5 of the Board Regulations, the Board of Directors must perform an annual assessment of its functioning and that of its Committees, and it must propose, on the basis of its findings, 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. Additionally, following the mandate contained in Recommendation 36 of the Code of Good Governance, which provides for the involvement of an external consultant in the process every three years, in 2020 the assistance of an external evaluator was required, whose independence was verified by the Nomination and Remuneration Committee.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2020:

- a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are exploited effectively.
- b) Size, composition and diversity of the Board and its Committees.
- c) The performance of the Chairman of the Board and the Chief Executive of the Company.
- d) The performance and contribution of each director, placing particular emphasis on the persons responsible for the various committees of the Board.
- e) Frequency and duration of the meetings.
- f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance.
- g) Quality of received information.
- h) Breadth and openness of the debates.
- i) If the decision-making process is dominated or strongly influenced by one member or a small group of members.

From the methodological standpoint, the indicators taken into consideration included, among others, the degree to which the Board and the Committees comply with applicable regulatory requirements and guidelines in the area of corporate governance and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2020 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 17 December 2020, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans established for the year analysed were completed satisfactorily. The improvement recommendations proposed by the external evaluator were also taken into consideration.

**C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.**

The external consultant, responsible for evaluating the Board and its Committees in 2020, has not had any relationship with the Company or with any other company in its group, other than the evaluation service provided.

In the independence declaration provided to the Company, the evaluator confirms that they have "no commercial relationship with CAF, or any of its directors, or executives and, therefore, their independence can be confirmed in the performance of the work commissioned".

**C.1.19** Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, ceased to exist and, in particular, proprietary directors must resign when the shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Appointments and Remuneration Committee when not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

The directors must inform the Board and, where appropriate, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Board Regulations).

**C.1.20** Are qualified majorities other than those established by law required for any particular kind of decision?

- Yes
- No

If so, describe the differences.

**C.1.21** Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

- Yes
- No

**C.1.22** Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes
- No

**C.1.23** Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes
- No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, provide a brief description of the rules.

Article 31 of the Company’s Bylaws and article 14 of the Board of Directors’ Regulations determine that Directors shall make every effort to attend Board sessions and, when they cannot do so personally, may confer their representation to another Director in writing to the Board Chair, without limiting the number of representations that each can bear for Board assistance. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

Additionally, these same rules require that non-executive Directors may only confer their representation on a non-executive Director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

<b>Number of board meetings</b>	10
<b>Number of board meetings held without the chairman's presence</b>	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	0
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Indicate how many meetings of the various Board committees were held during the year:

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in situ of at least 80% of directors	10
Attendance in person as a % of total votes during the year	99.04
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	10
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes  
 No

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Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR ANDRÉS ARIZKORRETA GARCÍA	CEO
MR AITOR GALARZA RODRÍGUEZ	Chief Financial Officer and Strategy

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 34 of the Board Regulations).

To this end, the separate and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating 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 submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to regularly collect information from the auditors on the auditing process and in particular on any discrepancies that may arise between the auditors and the Entity's management. Upon completion of the audit, the Committee shall review with the external auditor the significant findings arising from its work, as well as the contents of its mandatory reports. (Article 13 of the Audit Committee Regulations).

Financial statements for the year ended 31 December 2019 as well as previous years were approved by the Board of Directors without qualifications.

#### C.1.29 Is the secretary of the Board also a director?

Yes  
 No

If the secretary is not a director, complete the following table:

#### C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of external auditors:

In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 a of the bylaws).

Pursuant to the foregoing, the Company's Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency (i) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. (ii) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on statutory audit, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) Issue, prior to the issuance of the audit report, an annual report stating its opinion on the auditors' or audit companies' independence is issued. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the foregoing section, reviewed individually and as a whole, apart from the various legal auditing and in relation to the regime of independence and governing regulations on audit activities. . Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence, as well as establish an indicative limit on the fees that the auditor may receive annually for services other than auditing (iv) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV), accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind. Conduct a final evaluation about the auditor's work and how it contributed to the audit quality and to the integrity of the financial information. (Article 3 of the Audit Committee Bylaws and Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the Committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures, (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the entity's senior management; and (iii) the Audit Committee will regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the entity's senior management. When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes  
 No

CAF's Board of Directors resolved to submit to the Company's Annual General Meeting held on 13 June 2020, the appointment of EY as the auditor of CAF and its consolidated group for 2021, 2022 and 2023, in accordance with the recommendation issued by the Company's Audit Committee as a result of the auditor selection process performed.

If there were any disagreements with the outgoing auditor, explain their content:

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes  
 No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	236	236
Amount invoiced for non-audit services/Amount for audit work (in %)	0.00	35.76	35.76

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

- Yes  
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	31	20

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (in %)	72.09	100.00

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

- Yes  
 No

#### Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. A schedule is approved containing eight sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is earlier. The call also includes the meeting's agenda, and the documents that must be previously and early enough reviewed by the Directors. In any case the Directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

- Yes  
 No

#### Explain the rules

As established in Article 18 of the Board Regulations, Directors must place their position at the Board's disposal in certain cases, and particularly when they are prosecuted for an alleged criminal offense or subject to breach determined by supervising authorities. In turn, Directors shall inform the Board and where appropriate, resign, when situations affecting them occur, that may or may not be related to the duties they discharge within the Company, that may harm the Company's name and reputation and, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted.

All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of

the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

- Yes  
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to consultative voting at the General Shareholders' Meeting.

## C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent
MR JAVIER MARTÍNEZ OJINAGA	MEMBER	Independent
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Due to Mr. Juan José Arrieta Sudupe having spent a continuous period of twelve years as a member of the Board of Directors, since first being appointed as an independent director on 7 June 2008, the Company announced, through the CNMV, the change of category of Mr Arrieta to that of "other external director".

Explain the functions delegated or assigned to this committee, other than those legally provided, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

### Organisation:

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent Directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.

The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors shall appoint its Secretary, who shall not necessarily hold the office of Director. (Article 2 of the Audit Committee Bylaws and Regulations).

### Functions:

Its main functions are: a) In relation to the General Meeting: i. Advising the General Shareholders' Meeting on any matter within the Committee's competence, namely on the audit's result, and explaining its contribution to the financial information's integrity and the function performed by the Committee within that process. ii. Ensure that the financial statements submitted to the shareholders at the Annual General Meeting are prepared in accordance with accounting legislation. In the event that the auditor includes any qualification in its report, the Chair of the Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board. b) In relation to the internal control systems: i. 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 submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness. ii. Supervise the effectiveness of the Company's internal control and in particular of the system of Internal Control over Financial Reporting (ICFR). iii. 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. For the purposes of points i. to iii. above, the Committee can, where appropriate, present recommendations or proposals to the Board of Directors and its monitoring deadline. iv. Oversee the Company's internal control and risk management function. v. In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice. vi. Oversee compliance with the internal codes of conduct. vii. 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, to 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. This mechanism must guarantee confidentiality and, in all cases, envisage circumstances in which reports can be made anonymously, while respecting the rights of the complainant and the respondent. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JAVIER MARTÍNEZ OJINAGA / MR JUAN JOSÉ ARRIETA SUDUPE
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MS ANE AGIRRE ROMARATE	CHAIRWOMAN	Independent
MR LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR JULIÁN GRACIA PALACÍN	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

**Organisation:**

In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Committee members will be appointed for a term of four years, and may be re-elected. They will cease to hold office as directors in accordance with a Board resolution, when they resign or for failing to comply with the Regulation requirements or the legal provisions. Renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the Annual General Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Appointments and Remuneration Committee Regulations).

**Functions:**

Articles 37 ter of the Bylaws and 3 of the Appointments and Remuneration Committee has the following basic responsibilities: 1) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it will draw up a matrix with the responsibilities of the Board that defines the functions and skills required for candidates to cover each vacancy, periodically updated, and shall evaluate the time and dedication required to attain goals effectively. 2) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. 3) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, by submission for approval by the Annual General Meeting, as well as the proposals for such Directors' re-election or removal. 4) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. 5) Report the proposal for appointment of the Chairman of the Board of Directors, as well as of the Deputy Chairmen. 6) Inform the Board of Directors of the appointment or removal of the Secretary. 7) Raise to the Board of Directors the proposal for the appointment of an Independent Coordinating Director. 8) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. 9) Examine and organise the plan for the succession of the Board of Directors' chairman and the Company's Managing Director and, as applicable, make proposals to the Board of Directors for make

such succession to occur in an orderly and planned manner periodically preparing and reviewing a succession plan for such purpose. 10) Issue a report before the Board of Directors warns a director regarding non-fulfilment of his obligations as a director. 11) Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	0	0.00
NOMINATION AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website ([www.caf.net](http://www.caf.net)), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations has been modified by a resolution of the Board of Directors, of 17 December 2020, with the principal objective of:

- i. Adapting its content to the Recommendations modified in the partial reform of the good governance code. In particular, adapting the description of the functions of the Committee to the wording of the new Recommendation 42 on the mandatory functions of Audit Committees. Among other developments, this Recommendation reinforces the specialisation of this Committee in relation to the supervision of information and control of financial and non-financial risks, and broadens the requirements in matters such as the reporting channel that the Company must make available to employees and other stakeholders, guaranteeing confidentiality, as well as allowing anonymous reports to be made in certain cases.
- ii. Incorporate into the Regulations certain provisions of Technical Guide 3/2017 of the CNMV on Audit Committees, (the "Technical Guide"), which the Company already complies with.
- iii. Incorporate certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

APPOINTMENTS AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF web site ([www.caf.net](http://www.caf.net)), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.

The Nomination and Remuneration Committee Regulations were amended on 17 December 2020 for the purpose of: (i) adapt it to the Recommendations amended in the aforementioned partial reform of the good governance code, especially: adjusting the distribution between the Committees of the functions regarding sustainability and corporate governance matters, to the new description thereof contained in Recommendation 54, with the appointments and remuneration Committee maintaining most of the responsibilities in this matter, with the exception of communications with shareholders and voting investors and other stakeholders, which is assigned to the Audit Committee, as well as the oversight of compliance with the internal codes of conduct, which the latter Committee would assume in line with the function's connection with risk control and, specifically, corruption risk control, and adapting to the new wording of Recommendation 22 the description of the advisory function that corresponds to the Committee in relation to situations in which the directors may find themselves that may affect the Company's good name and reputation. (ii) Incorporate into the Regulations certain provisions of the CNMV Technical Guide 1/2019 on Nomination and Remuneration Committees, with which the Company had already been complying, and (iii) incorporate other technical improvements, perfecting their wording.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

## D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

The Board of Directors has been attributed, but without the capacity to delegate, the duty to approve, prior report from the Audit Committee, the transactions made by the Company or group companies with the Directors under the rules of the Capital Companies Law, or with shareholders holding a significant equity interest, either individually or jointly, including shareholders represented on the Board of Directors of the Company or other companies forming part of the same group or with their related persons. This approval shall not be applicable for any transaction meeting all of the three following conditions: 1.º they are governed by standard form agreements applied on an across-the board basis to a large number of clients, 2.º they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3º. they contain amounts not exceeding one percent of the Company's annual revenue. (Art. 5 of the Board Regulations).

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,605

The company Metro CAF Mauritius, Ltd. has been incorporated in Mauritius, exclusively for the performance of an agreement for the supply of trams in the country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.



**D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.**

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

Note 10 of the consolidated Notes to the Financial Statements for fiscal year 2020 includes the details on balances and transactions with associated companies that have not been removed during the consolidation process.

**D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.**

Section 229 of the Capital Companies Law and Articles 24 and 25 of the Board of Directors' Regulations require directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. In turn, the Board of Directors' Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for Directors, as well as the consequences for breaching. In its Article 18, the Board of Directors' Regulations expressly states that Directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement.

**D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.**

Yes  
 No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

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**E.1 Explain the scope of the company's Risk Management and Control System, including tax risk.**

CAF Group's Comprehensive Risk Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates.

The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the corporate policies section at [www.caf.net](http://www.caf.net).

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group involve a variety of risks, with the Company defining the basic guidelines in order to standardize the operating criteria in each of the divisions to ensure an adequate internal control level.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their

valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

In order to respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and information of the various risks.
- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System implemented in the Group.

Likewise, the Corporate Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities, while maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In 2020 emphasis was placed on adjusting and improving the management methodology and dynamics of the following risk categories: Environmental, Criminal and Competition. Within the scope of these three areas, the criteria for analysing risks and opportunities have been standardised in addition to the single framework of responsibilities for risks and their supervision among the various businesses of the Group.

In the case of Criminal Risk Management and Competition dynamics, we worked closely with the Corporate Compliance Department. In the case of Environmental Risk Management, we worked with the Environmental Forum, made up of the environmental managers of each business.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

Finally, it should be noted that through the General Risk Control and Management Policy, the Organization is committed to developing all its capabilities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled.

In this regard, the Audit Committee is in charge of ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the implemented integrated system operates properly.

## E.2 Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.

As established in Article 5 of Board of Directors' Regulations on the General Supervision Area, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including those on tax risks and the supervision of internal information and control systems, is one of the matters made exclusively available to all Board members.

In addition, as provided for in Article 3 of its Regulations, the Audit Committee is the body responsible for supervising and evaluating 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, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the company's highest executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and knowing the main elements of its evolution and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

- Ensure the good performance of the comprehensive risk management and control system and, particularly, that all material risks affecting the Company are properly identified, managed and quantified,
- Participate actively in the risk strategy preparation and in the important decisions regarding its management and
- Ensure that the comprehensive risk control and management system mitigates risks adequately in accordance with the policy framework set forth by the Board.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) apply the Fiscal Policy established and approved by the Board of Directors and (ii) ensure compliance with the principles of action regarding tax matters under the Fiscal Policy approved by the Board of Directors, in which are included, the prevention and mitigation, as far as possible, of the tax risks.

In addition, the task of CAF's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

### E.3 Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The most important risks facing the Group may be classified into the following categories:

**Strategic risks:** these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.

**Financial risks:** arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:

**Market risk,** considering the following typologies:

**Interest rate risk:** risk to changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.

**Currency risk:** risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

**Risk of raw material prices:** risk derived from changes in prices and market variables in relation to raw materials needed in the business supply chain.

**Credit risk:** it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparts to which the Group has effectively granted net credit and are pending liquidation or collection.

**Liquidity and financing risk:** in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to the asset, it is the risk of not being able at any given moment to obtain asset acquirers, for the sale at market price, or the lack of market price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the Financial Statements.

**Legal Risks:** come from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and possible contingencies arising from them. Also included risks related to judicial proceedings, administrative procedures and complaints.

**Operational risks:** inherent to all Group activities, products, systems and processes that lead to financial losses and damage in the Company image due to human/technological error, inadequate/defective internal processes or the intervention of external agents.

**Corporate Governance Risks:** arising from the potential noncompliance of the Group's Corporate Governance System, which regulates the design, integration and functioning of the Governing Bodies and their relationship with the Company's stakeholders and which is, in turn, based on commitment to ethical principles, good practices and transparency, built around protection of the Company's interests and the creation of sustainable value.

**Compliance and Regulatory Risks:** arising from the violation of national and international rules and laws that apply independently of the activity itself, which fall within the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market, competition and unfair competition regulations), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including, among others, the rules of protection of personal data, environmental laws, etc.).

As for the Statement of Non-Financial Information for the fiscal year ended in 2020, which was included in the Directors Report, the various types of aforementioned risks were assessed in detail. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

### E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The risk tolerance level established at the corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk.

The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

A prudent policy in tender submission, applying predetermined Risk-Profitability thresholds in the decision-making process.

An adequate risk management infrastructure in terms of governance and material and human resources availability.

Search for positioning in high growth segments, in geographies that are classified as strategic and in products for which previous capacities and experiences that allow generating value to the company are verified, maintaining in any case the desired profitability and cash generation levels.

The level of risk is defined as the product of probability and impact. Both the probability of occurrence and the impact are assessed based on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:

Very low and low level risks may be accepted and no Control or Action Plan may be necessary to manage them.

Medium-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or an Action Plan that mitigates the risk to a low level and, therefore, acceptable.

High and very high level risks will require adequate administration and management as well as preparing a formal Action Plan, which will be monitored according to its criticality by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks that could affect the Group. In general, although fundamentally applicable to Operational Business Risks, tolerance thresholds are defined which in case of being achieved, would make it necessary to establish new or existing Controls or Actions Plans. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

Regarding Financial and Strategic Risks, there is a tolerance level in terms of its economic impact at the corporate level and, in particular, a zero tolerance principle for those illegal acts or scam situations.

With regard to fiscal risks, the Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities.

## E.5 Indicate which risks, including tax risks, have materialised during the year.

During 2020 no material or extraordinary risks materialized, beyond those included in the Directors' Report and the Notes to the Financial Statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any material impacts on the Company's equity due to risk exposure.

Among the extraordinary risks, mention must be made of the emergence of COVID-19 at global level. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

The foreign currency risk to which the Company is exposed due to its operations in the international sphere is managed in accordance with the Market Risk Policy approved this year by the Board of Directors, which envisages various strategies aimed at reducing this risk such as the establishment of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other complementary measures.

Finally, to mention that mechanisms to anticipate and adequately manage the potential consequences of Brexit have been applied, both in contracts in the portfolio and in future tenders.

## E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans considered appropriate to remedy the situation of the project in execution or in a previous stage are evaluated in order to decide not to submit the corresponding tender.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

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

The responsibilities granted by CAF for each Line are as follows:

The First Line rests on the business's own operating units which are responsible for day-to-day risk management as well as for maintaining internal control and implementing actions to address control deficiencies.

The Second Line complements the activities of the first one and is formed by the Risk Management Department, which carries out monitoring and reporting and is responsible for the risk levels assumed by the Group, independently controlling business lines.

The Third Line is the independent review of the first two lines and is performed by the Internal Audit Function. The evaluation and verification of the effectiveness of the Risk Control and Management Policies is carried out periodically by the second and third line. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

For the development of its functions, the Internal Audit and Risk Management departments have qualified and experienced personnel that is independent of the business lines. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

## **F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

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Describe the mechanisms forming your company's Internal risk management and Control systems relating to the process of publishing Financial Reporting (ICFR) of the company.

### **F.1 The entity's control environment**

Report on at least the following, describing their principal features:

**F.1.1.** The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

**F.1.2.** Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Chairman and Executive Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the Financial Information Internal Control System, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the web site, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with lawfulness, quality, reputation, protection of human resources, the respect for and commitment to the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying a policy and procedure system to prevent the commission of material crimes as much as possible. Such Crime Prevention Manual has been updated and revised by the Board of Directors on 18 December 2018. The Manual will foreseeably be reviewed again in 2021. When any new version or development of the Handbook is approved, the appropriate dissemination and training measures are adopted.

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 2020.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 93% of people have completed the programme. Since commencement of the programme, more than 5,600 people have been trained on this matter (2019: 4,762 people). More than 850 people received training in 2020. 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 kept up-to-date.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential.

In order to channel general complaints and those relating to financial and accounting aspects, a single complaint channel is established which is supervised by the Compliance Committee or Unit. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. In case the Compliance Committee or Unit understands that the complaint deserves more attention, it may send the documentation to the relevant department with the objective of jointly assessing the facts and determining the measures to be taken.

The Compliance Committee reports to the Board of Directors, the Audit Committee or General Management, depending on the circumstances and nature of the purported infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel. Likewise, it reports relevant financial irregularities to the Audit Committee. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

The Manual also establishes the possibility of other means of receiving complaints being enabled in those jurisdictions where so required under local legislation.

In 2020 the general whistleblowing channel was opened 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, at any time, possibly important irregularities, including financial or accounting irregularities, or those of any other type related to the company of which they become aware at any Group company.

The rules for the functioning of the 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) compliance, (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.

No formal complaints were filed through CAF's general whistleblowing channel in 2020, although two internal investigations were carried out as a result of which the pertinent measures were adopted. Two complaints were received via the whistleblowing channel in 2019, and one more was received via an alternative channel.

Additionally, for situations such as discrimination, harassment, mobbing or safety at work, specific channels are established for the communication and treatment of any improper conduct that may occur in those areas.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements and webinars presented by experts on the matter are attended.

Also, it is important to underline that, when the financial statements are being prepared, an annual review is conducted of the recommendations issued each year by regulatory bodies such as the ESMA and the CNMV, which focuses on regulatory developments and areas of special attention based on the current economic backdrop.

With regard to learning programmes for CAF S.A.'s economic and financial subjects, in order to support the different businesses in fiscal year 2020, the main reference indicators of this activity have been as follows:

- Number of participants in the training actions on this matter: 409
- Number of training hours received: 1,334 hours

Apart from wide training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

## F.2 Assessment of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

At least on a quarterly basis, the Financial Department receives the Group's company organisation chart from the Corporate Development Department, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Financial Department.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements.

- The governing body within the company that supervises the process.

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

### F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Financial Statements certification: The financial statements are certified by the Chairman and Managing Director and the Chief Financial Officer. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Billing and clients
- Inventories and Supplies (for every business unit)
- Investments



- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

### F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems.
- Promote the standardisation of the Systems
- Improve the satisfaction level of ICT systems
- Develop the ICT corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

- Information technology management
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-Party Management

It is also worth noting the implementation since fiscal year 2017 of an Information Security Management System (ISMS) in accordance with ISO 27001, which was certified in the spring of 2018 and updated in 2020 in the area of the information systems managed by Corporate Digital Management that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

### F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2020, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

#### F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, S.A.'s Economic and Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.

The Manual is available on CAF's internal portal.

- F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR system

Every year a schedule is drawn up of the information required to prepare the financial information for the following fiscal year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Financial Department, through a web-based tool with consistent reporting formats which is used to gather the information supporting the consolidated financial statements, as well as the consolidated information in the financial statement notes and which is also used to roll up and consolidate the reported information.

CAF, S.A.'s Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

## F.5 Supervision of the functioning of the system

Report on at least the following, describing their principal features:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as to oversee the proper internal controls risk management systems, including ICFR. Likewise, the Committee reviews that the information published on the Company's web site is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's web site.

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

Under the scope of the external audit, the Audit Committee holds meetings with the external auditors with regard to more significant aspects concerning the review of the financial statements and the findings of the audit work (which include, where appropriate, material aspects detected in the internal control area).

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the ICFR design and operation.

Each year, the Manager of Internal Audit presents the internal audit activities to the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee its assessments, weaknesses detected, action plans to correct them and recommendations for improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2020 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification of the main risks on financial information.
- Analytical review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review of the design and adequate performance of the main control activities involving fiscal year closing processes, consolidation and reporting, as well as a review of the main judgments and estimates.
- Review of financial reporting processes and of the main subsidiaries, as at risk turnover plan. That review includes relevant financial information risks.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and improvement recommendations.

F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2020, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

The external auditor reports to the Audit Committee the main weakness of the internal control detected, if any, over the course of the audit, assessing the possible effects on the financial information.

In 2020, external auditors have twice appeared before the Audit Committee during this financial year, and have met with the Board in the plenary session held on 17 December 2020.

## F.6 Other relevant information

There is no other relevant information regarding the ICFR not included in this report.

## F.7 External auditor's report

Report:

- F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor's report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies [  ]      Explanation [  ]

- 2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies  Complies partially  Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies  Complies partially  Explanation

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies  Complies partially  Explanation

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies  Complies partially  Explanation

**7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.**

**And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.**

Complies       Complies partially       Explanation

That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Articles 22 bis of the bylaws and Article 9 bis of the General Meeting Regulations allow the delegation of the power to vote and the ability to vote telematically.

With respect to telematic attendance and active telematic participation at the General Meeting, although the Recommendation refers to large cap companies and where proportionate, the Company proposes to amend the General Meeting Regulations, at the next General Meeting, to explicitly incorporate the possibility of telematically attending and actively participating in the General Meeting. For such purpose, in accordance with the provisions of the Transitional Provision of Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (CNMV), in where the circular 5/2013 of the 12 June is modified, which establishes model annual corporate governance reports for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, the Company's Board of Directors, at its meeting held on 17 December 2020, resolved to propose to the Annual General Meeting the related adaptation of the General Meeting Regulations. For its part, Article 22 bis of the existing bylaws already provides for this possibility, subject to the provisions of the General Meeting Regulations.

**8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.**

Complies       Complies partially       Explanation

**9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

**And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.**

Complies       Complies partially       Explanation

**10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:**

- a) Should immediately distribute such complementary points and new proposals for resolutions.**
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.**
- c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.**

**d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]

**11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]

**12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.**

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [  ]      Complies partially [  ]      Explanation [  ]

**13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.**

Complies [  ]      Explanation [  ]

**14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:**

**a) Is concrete and verifiable;**

**b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**

**c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

**The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.**

Complies     Complies partially     Explanation

**15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

**And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.**

Complies     Complies partially     Explanation

**16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.**

**This criterion may be relaxed:**

- a) In large-cap companies where very few shareholdings are legally considered significant.**
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

c)    Complies     Explanation

**17. That the number of independent directors should represent at least half of the total number of directors.**

**That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.**

Complies     Explanation

**18. That companies should publish the following information on its directors on their website, and keep it up to date:**

- a) Professional profile and biography.**
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.**



e) **Company shares and share options that they own.**

Complies  ]      Complies partially  ]      Explanation  ]

**19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.**

Complies  ]      Complies partially  ]      Explanation  ]      Not applicable  ]

**20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.**

Complies  ]      Complies partially  ]      Explanation  ]      Not applicable  ]

**21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.**

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies  ]      Explanation  ]

**22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.**

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies       Complies partially       Explanation

- 23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies       Complies partially       Explanation       Not applicable

- 24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.**

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies       Complies partially       Explanation       Not applicable

- 25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.**

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies       Complies partially       Explanation

- 26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.**

Complies       Complies partially       Explanation

**27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]    Not applicable [   ]

**29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.**

Complies [ X ]    Explanation [   ]    Not applicable [   ]

**31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.**

Complies  Complies partially  Explanation  Not applicable

**35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.**

Complies  Explanation

**36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies  Complies partially  Explanation

**37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.**

Complies  Complies partially  Explanation  Not applicable

**38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies  Complies partially  Explanation  Not applicable

**39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]    Not applicable [   ]

**42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following functions:**

**1. With regard to information systems and internal control:**

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

**2. With regard to the external auditor:**

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ X ]      Complies partially [   ]      Explanation [   ]      Not applicable [   ]

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

- c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 48. That large-cap companies have separate nomination and remuneration committees.**

Complies [  ]    Explanation [  ]    Not applicable [  ]

- 49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

**And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**
- b) **Verifying compliance with the company's remuneration policy.**
- c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**
- d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**
- e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:**

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**

b) That their chairpersons be independent directors.

c) That the Board of Directors selects members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discusses their proposals and reports; and requires them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct



- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies  Complies partially  Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies  Explanation

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies  Complies partially  Explanation

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies  Complies partially  Explain  Not applicable

**59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.**

**That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.**

Complies  Complies partially  Explanation  Not applicable

**60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.**

Complies  Complies partially  Explanation  Not applicable

**61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.**

Complies  Complies partially  Explanation  Not applicable

No variable remuneration was earned in 2020. In any case, the Company's Remuneration Policy, does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments referred to their value in 2020.

**62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

**An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.**

**The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.**

Complies  Complies partially  Explanation  Not applicable

**63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies  Complies partially  Explanation  Not applicable

**64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

**For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the**

**company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.**

Complies [ X ]      Complies partially [   ]      Explanation [   ]      Not applicable [   ]

## H. FURTHER INFORMATION OF INTEREST

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1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

In 2020 CAF, S.A. completed the formalities required to join the United Nations Global Compact, confirming its commitment to the ten principles of the Global Compact which stem from the United Nations' declarations on human rights, employment, the environment and the fight against corruption and enjoy a universal consensus.

A.3. As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSE ARRIETA SUPUDE 0.003% and 30,605,037H ANE AGIRRE ROMARATE % 0.002. TOTAL 0.005%.

### C.1.5

#### • Age:

The existence of directors of a variety of ages shall be valued, so that this difference may serve to contribute a variety of opinions and different approaches in debates regarding the issues that must be analysed and agreed upon by the Board of Directors.

#### • Disability:

Disability will not be used as a bias that could implicate discrimination in the selection of Directors.

#### • Gender:

In the process for selecting directors, gender diversity will be taken into account to ensure a balanced presence of men and women on the Board of Directors.

In this regard, the policy promotes the objective that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

In 2020 the shareholders at the Annual General Meeting approved the appointment of two proprietary directors, as well as the re-election of a female independent director and of a female executive director, with the number of directors being eleven. In all cases, strict compliance with the 12 November 2018 version of CAF's Director Diversity and Selection Policy, which was in force at 2020 year-end, was observed, and the Nomination and Remuneration Committee stated this fact in its annual report on compliance with the policy in December 2020.

As a result of these aforementioned appointments, the diversity and balance of the composition of the Board of Directors has been enhanced from the standpoint, among others, of the profiles of its members, who contribute a wide range of skills and knowledge in areas of great value for the Company, and a significant level of independent directors was maintained (exceeding 45% of the total).

With respect to the promotion of gender diversity, it is noteworthy that since 2017 CAF has continuously complied with the target originally established for 2020 in Recommendation 14 of the Spanish Code of Good Governance for Listed Companies (CBGSC) whereby at least 30% of the members of the Board of Directors should be female.

Following the resolutions adopted by the Annual General Meeting held in 2020, the number of female directors increased to four, which means that women represent 36.36% of the total Board members, which is very close to the 40% level which Recommendation 14 has set as the target to be achieved in 2022.

#### C.1.16

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the company or its group, their significant shareholders or senior executives.

Individuals may not in any case be considered to be independent directors if: a) they have been employees or executive directors of Group companies, unless either three or five years, respectively, have elapsed since the termination of such a relationship; b) they receive from the Company, or from the Group to which it belongs, any payment or benefit other than director remuneration, unless such an amount or benefit is insignificant. For the purposes of the provisions of this section, dividends or pension supplements received by the Board members for their previous professional or working relationships shall not be taken into consideration, provided that such supplements are unconditional and, consequently, the company paying them cannot suspend, modify or revoke their payment at its own discretion without there being a breach of obligations. c) in the last three years, they have been partners of the external auditor or responsible for the auditor's report prepared on the company or on any other Group company during that three-year period; d) they are executive directors or senior executives of another company where an executive director or senior executive of the company is a non-executive director; e) they have material business dealings with the company or any company of its Group or have had such dealings in the preceding year, either on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings. Relationships with suppliers of goods or services, including financial services, and with advisors or consultants shall be considered to be business relationships. f) they are significant shareholders, executive directors or senior executives of an entity that receives or has received in the last three years significant donations from the company or its Group; This definition excludes those who are merely trustees of a foundation receiving donations. g) they are spouses or partners with an analogous affective relationship or relatives up to the second degree of kinship of one of the company's executive directors or senior executives. h) they have not been proposed for appointment or re-election by the Nomination Committee. i) they have held office as directors for a continuous period of more than twelve years. j) they are in any of the situations indicated in points a), e), f) or g) above in relation to a significant shareholder or entity represented on the Board. In the case of the family relations indicated in point g), the restriction shall apply not only in connection with the shareholder but also with the proprietary directors of the investee.

Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties.

Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the aforementioned article and, in addition, their ownership interest is not material (Art. 16 of the Board of Director Regulations).

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Article 30 of the Company Bylaws).

The Nomination and Remuneration Committee holds certain powers in relation to the appointment, evaluation and removal of directors, which are detailed in its regulations. The most noteworthy powers are as follows: The basic responsibilities of the Nomination and Remuneration Committee should be to: 1.- Evaluate the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively. 2.- Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal. 3.- Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. 4.- Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposed appointment of the Chair of the Board of Directors and of the Secretary, and of the Deputy Chairs, where applicable. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8.- Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts. 9.- Examine and organise the succession of the Chair and the chief executive of the Company and, if applicable, submit proposals to the Board of Directors in order to ensure a smooth and well-planned handover, periodically preparing and reviewing a succession plan for such purpose. 10.- Issue a report prior to the Board reprimanding a director for the infringement of their obligations as a director. 11.- Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties. 12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists, and 18.- Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. (Art. 3 of the Nomination and Remuneration Committee Regulations).

In relation to the removal of directors, the Board Regulations also provide for certain special rules: The removal of the directors shall take place as defined in the terms of the legislation applicable at any given time. Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, specifically, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce their stakes to a level that requires a reduction in the number of proprietary directors; b) if they are subject to any of the grounds for conflict of interest or prohibition provided for in law; c) if they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement; d) if they are seriously

reprimanded by the Board of Directors following a report from the Nomination and Remuneration Committee for having breached their obligations as Directors; e) if they find themselves in a conflict of interest situation and fail to comply with their reporting and abstention duties; and f) if they breach the non-compete obligation. The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Board Regulations).

Also, the Director Diversity and Selection Policy, amended by the Board of Directors of CAF at the meeting held on 17 December 2020, reiterates the functions pertaining to the Nomination and Remuneration Committee in the director selection process, as well as the terms of its participation in that process, as described above, and the conditions candidates must fulfil, placing special emphasis on the fundamental objective to promote diversity in terms of knowledge, experience, age and gender among Board members, applying criteria that ensure the existence of sufficient diversity in the composition of the Board and a lack of implicit bias that could amount to discrimination on grounds of age, gender, disability or any other personal characteristic, in line with Recommendation 14 of the Spanish Good Governance Code of Listed Companies and Articles 529 bis and 529 quidecies of the Spanish Limited Liability Companies Law.

#### C.2.1.

##### AUDIT COMMITTEE

viii. Supervise application of the general policy relating to communication of economic and financial, non-financial and corporate information, and to communication with shareholders and investors, voting advisers and other stakeholders. Also, the way in which the Company communicates and interacts with small and medium shareholders will be monitored. ix. Carry out reviews to ensure that the financial information published on the Company's corporate website is constantly updated and corresponds to the information approved or prepared by the Board of Directors and published on the Spanish National Securities Market Commission (CNMV) website. If, following the review, the Committee is not satisfied in relation to any issue, it shall notify the Board of its opinion. c) In relation to the internal audit: i. Supervise the Company's internal audit. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. ii. Ensure the independence of the unit that discharges the internal audit function, which shall report to the chair of the Committee or the non-executive chair of the Board. iii. Propose the selection, appointment and removal of the head of the internal audit service; iv. Propose the Internal Audit Department's budget. v. Approve the work plans and methods of Internal Audit, ensuring that its activity focuses primarily on significant risks (including reputational risks). vi. Receive regular information on the execution of the annual plan and other activities carried out, including possible incidents and scope limitations arising in the course of the work, the outcome and follow-up of its recommendations, and an activities report at the end of each reporting period. vii. Verify that senior executives take into account the conclusions and recommendations of its reports. viii. Assess the functioning of Internal Audit and the performance of the head of the unit. d) In relation to the external auditor: i. Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process within the meaning of Articles 16.2, 16.3, 16.5 and 17.5 of Regulation (EU) No 537/2014, of 16 April, and the terms and conditions of the engagement. ii. Obtain information regularly on the audit plan and the execution thereof. iii. Discuss with the auditor the significant weaknesses in the internal control system disclosed in the performance of the audit, all of which should be performed without compromising its independence. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. iv. Preserve its independence when exercising its functions, in particular for that purpose: Establish the pertinent relationships with the external auditors in order to receive information on any matters that might threaten their independence, for analysis by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015, of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the foregoing point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence and establish an indicative limit on the fees that the auditor may receive annually for services other than auditing. v. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and changes in the company's accounting situation and risks; and vi. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. vii. Investigate the circumstances giving rise to the resignation of any external auditor. viii. Supervise that the company reports any change of auditors through the CNMV, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them. ix. Carry out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. The provisions of the foregoing sections iv. to viii. shall be deemed to be without prejudice to the applicable audit regulations. e) Other functions: i. Inform the Board of Directors in advance of all matters contemplated in the law, the Company Bylaws and the Board Regulations, and in particular on: the financial information that the company must periodically make public; the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and transactions with related parties. ii. Issue a report on any transactions that the Company or Group companies may perform with directors, under the terms of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders

represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related to them. It will not be necessary to issue the above report on any transactions that have all the following characteristics: they are performed under agreements with standardised terms and conditions and applied en masse to a large number of customers; they are executed at general prices or rates established by the supplier of the goods or services concerned; and their amount does not exceed 1% of the Company's annual revenue. ii. Be informed of the structural and corporate changes expected to be made by the Company for analysis and reporting, prior to the Board of Directors meeting, on their economic conditions and the accounting impact of the transactions and, especially, as appropriate, on the proposed exchange ratio. iii. Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. iv. Approve an annual work plan that envisages, among other matters, the annual timetable of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. v. Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, with an annual assessment report on its performance. vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year. vii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors. (Article 3 of the Audit Committee Regulations).

Similarly, the Audit Committee holds the following powers: 1.- In order to perform its functions the Audit Committee shall have full powers to access any kind of information, documentation or records it considers necessary for such purpose. 2.- The Audit Committee may request the Board of Directors to engage external advisory services in matters of particular significance when it considers that the company's own experts or technical specialists, or those of group companies, are unable to provide these services adequately or with the necessary independence. 3.- In addition, the Audit Committee may request at any time the personal involvement or reports of any member of the company's and/or Group companies' management teams whenever it deems that they are necessary or advisable for the performance of the Committee's functions, as well as their attendance, following invitation by the Chair of the Committee, at the meetings, only to discuss the specific points on the agenda in relation to which they were invited. Also, it should be ensured that this presence does not become common practice so that such attendance only occurs when necessary (Art. 10 of the Audit Committee Regulations).

#### Functioning:

The Audit Committee shall meet whenever the Chairman deems it appropriate so that it may perform its functions. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. The Committee shall also meet when requested to do so by the Board of Directors (Art. 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of distance communication, providing that the identity and participation of the attendees can be guaranteed in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In any case, the Chair of the Committee, through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Art. 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Art. 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Power of representation may only be granted to another director who is a member of the Committee. The positions of Chair and Secretary of the Committee shall be held by those appointed to these positions. In the event of incapacity or absence, the Chair shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Art. 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be available to all of the members of the Board of Directors (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2020 may be grouped into the following areas:

#### i. Financial and non-financial reporting and internal control mechanism activities:

- Examination, prior to their submission for authorisation for issue by the Board of Directors, of the separate and consolidated financial statements and the directors' reports of CAF, S.A. and the CAF Group, respectively, for the 2019 reporting period; The Directors' Report includes the Non-Financial Information Statement that contains the information on non-financial indicators relating to environmental activity, social matters, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery.
- Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly separate and consolidated financial statements;
- Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.

#### ii. Related-party transaction activities.

Review of the related-party transactions performed by the Company and those scheduled for the following year, verifying whether they should be submitted for approval by the Board.

#### iii. Activities relating to the sustainability policy and the terms of execution thereof in the year

The sustainability activities are attributed by the Board to the Nomination and Remuneration Committee, without prejudice to the verification by the Audit Committee of the information in this connection disclosed in the directors' report that accompanies the separate and consolidated financial statements of CAF, S.A. and the CAF Group, respectively.

#### iv. Risk management and control activities

- Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.

- Supervision of the Risk Management Unit. Participation of its head in the Committee meetings, to report on the main risks and contingencies affecting the Company and its Group. In this connection:

- Monitoring of the Unit's Activities Plan.

- Periodic supervision of the assurance map.

- Supervision of the risk management models implemented by the Company in relation to the various Businesses and Projects.

- The evaluation of all the company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

v. Internal audit-related activities:

The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company's internal audit area. In

addition to the activities in the preceding paragraph, the Audit Committee performed the following actions:

- Review of the Annual Report on Internal Audit Activities for 2019.

- Approval of the Internal Audit Work Plan for 2020 including.

- Review of the published information (quarterly financial statements, statutory financial statements, and directors' report);

- Quarterly monitoring of the main financial and tax risks.

- Audit work rotation plan based on the criticality of the work;

- Monitoring of recommendations.

- Monitoring of the execution of the Internal Audit Work Plan over the year.

- Evaluation of the functioning of Internal Audit and the performance of the head thereof.

vi. External auditor-related activities:

- Analysis of the external auditor's reports on the Company's separate and consolidated financial statements for 2019.

- Analysis of the limited review report on the half-yearly financial statements for 2020.

- Request for written confirmation of independence issued by the auditor and preparation of the Report on the Auditor's Independence, in relation to the audit of the 2019 financial statements.

- Establishment of limits and criteria for the non-audit services and approval of the budget for non-audit services for 2021.

- Analysis, together with the external auditor of the main incidents detected during the audit, verifying that they were remedied, and the risks detected were addressed.

- Evaluation of the external auditor's conduct.

- Joint monitoring of the transition plan between the current auditor, Deloitte, and EY, the auditor appointed for 2021, 2022 and 2023.

vii. Activities regarding financing:

- Analysis of a commercial paper issue programme on the Spanish Alternative Fixed-Income Market (MARF), to replace the ECP Programme registered in Ireland, from its expiry in December 2020, and proposal for approval by the Board of Directors.

viii. Audit Committee action plan monitoring activities:

During the current year, the Audit Committee monitored, on an ongoing basis, the action plans for 2020 proposed in the report on the annual assessment of its performance, approved at its meeting held on 17 December 2019, and stated that they had all been complied with.

ix. Other activities

- Analysis of potential strategic corporate transactions envisaged by the Company, for their approval by the Board of Directors.

- Approval of the report on the functioning of the Audit Committee for 2019.

- Supervision of the activities of the Company's internal Tax Department, in charge of the control and management of the Group's tax risks, with regular reporting on the situation of the various phases of the work in that area, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.

- Supervision of the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- Proposal to amend the Policy on communication and contact with shareholders, institutional investors and voting advisers.
- Proposal to amend the Audit Committee Regulations.
- Approval of an annual audit plan for 2021 including the annual schedule for Committee meetings with the external auditors.
- Preparation of the Report on the Annual Performance Assessment in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies.
- Supervision of the exposure to foreign currency risk.

#### NOMINATION AND REMUNERATION COMMITTEE

12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists. 13.- Make proposals to the Board of Directors regarding the remuneration policy for directors and general managers or those who discharge senior executive functions reporting directly to the Board, executive committees or chief executives, and regarding individual remuneration and the other contractual conditions of the executive directors, ensuring compliance therewith. 14.- Review the remuneration policy applied to directors and senior executives on a regular basis, including share-based remuneration systems and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company. 15.- Ensure that possible conflicts of interest do not infringe upon the independence of the external advisory services provided to the Committee. 16.- Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors. In relation to the Corporate Governance and Sustainability System: 17.- Supervise compliance with the Company's corporate governance rules, also ensuring that the corporate culture is in line with the Company's purpose and values. 18.-Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. 19.- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy, so that they fulfil the mission to promote the corporate interest, and they should take into account, as applicable, the legitimate interests of the other stakeholders. 20.- Oversee that the Company's environmental and corporate practices are in line with the established strategy and policy; and 21.- Supervise and evaluate the processes for interacting with the various stakeholders. In relation to other matters: 22.- Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. 23.- Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, an annual assessment report on the functioning and activities of the Committee in the previous year and an annual assessment report on the performance of the Board of Directors. 24.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year. 25.- Review whether the information on the experience and professional careers of the Company's directors included on the corporate website is sufficient and appropriate and follows the recommendations of the Spanish Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission (CNMV). 26.- Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. 27.- Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors.

#### Functioning:

The rules on the functioning of this committee are provided for in Article 12 of the Board of Directors Regulations and in Chapter V of the Nomination and Remuneration Committee Regulations, and can be summarised as follows:

The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.

The call notices shall be communicated to each of the members by the Secretary of the Committee, according to the Chair's instructions, with at least five days' notice, by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chair of the Committee, by itself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

The Committee shall be deemed to be convened when more than half of its members attend and adopt its resolutions by absolute majority, either in person or by proxy. Representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. In addition, committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting, and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

The main activities performed by the Committee in 2020 may be grouped into the following areas:

#### a. Appointment activities.

- Presentation to the Board for submission to the General Meeting of the proposal for the re-election of a female independent director, as well as the preliminary reports for the re-election of a female executive director and for the appointment of two proprietary directors.
- The aforementioned documents were made available to the shareholders on the corporate website when the call notice of the General



Meeting was issued.

- Presentation to the Board of the proposed changes in the composition of the Committee, consisting of the appointment of Ms Ane Agirre Romarate as Chair and Mr Julián Gracia Palacín as a new member of the Committee, and the proposed appointment of Mr Javier Martínez Ojinaga as new Coordinating Director.
- Review of the matrix of the Board's competencies in order to update its content, in view of the latest changes in the composition of the Board.
- Presentation to the Board of the proposed modification of the Director Diversity and Selection Policy, in order to adapt it to the modifications introduced in the Code of Good Governance in June 2020 and introduction of other technical improvements.

b. Remuneration activities:

- Submission of the proposed Directors' Remuneration Report for 2019 to the Board of Directors.
- Proposal to the Board of Directors regarding remuneration for the Executive Committee and for the Directors, applicable to 2020, and presentation of a new proposal due to the circumstances that transpired a result of the COVID-19 pandemic.
- Presentation to the Board of Directors of the proposed new Director Remuneration Policy, applicable to 2021, 2022 and 2023, for its submission for approval by the shareholders at the Annual General Meeting.

c. Corporate Governance and Sustainability activities:

- Review of the Corporate Social Responsibility Report for 2019, for its approval by the Board of Directors.
- Review of the Modern Slavery Declaration (UK) relating to 2019, for its approval by the Board of Directors.
- Supervision of the process for reporting the non-financial information and information on diversity contained in the Non-Financial Information Statement for 2019.
- Supervision of the Company's environmental and social practices to verify that they are in line with the established strategy and policy, with attendance of the head of Company's Corporate Social Responsibility Forum at the Committee meeting.
- Presentation to the Board of Directors of the proposed new Sustainability Policy, to replace the 2015 Corporate Social Responsibility Policy.
- Supervision and evaluation of the corporate governance system in the context of the functions attributed to the Committee in sections 17 and 19 of Article 3 of its Regulations.

d. Other activities

- Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations, in order to include the developments arising from the review of the Code of Good Governance and other technical improvements.
  - Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2019.
  - Proposal of the appointment of the external valuer for 2020, following verification of the valuer's independence.
  - Preparation of the Report on the Annual Performance Assessment, in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies, with the scope detailed in the following section 7.
  - Analysis of the situation concerning insurance policies in force covering directors and senior executives, and of the annual renewal plan for those policies.
  - Annual assessment of compliance with the Diversity and Director Selection Policy.
- Approval of the Activities Plan for 2021.

e. Nomination and Remuneration Committee action plan monitoring activities.

Throughout 2020, the Committee monitored the action plans for that year, proposed in the annual self-assessment report, approved by the Committee at its meeting on 17 December 2019, verifying that they were complied with satisfactorily.

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This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

Indicate whether any director voted against or abstained from approving this report.

- [ ] Yes  
[ ✓ ] No

**Construcciones y Auxiliar  
de Ferrocarriles, S.A. and  
Subsidiaries composing  
the CAF Group  
(Consolidated)**

Auditor's Report on the Information  
relating to the system of internal control  
over financial reporting (ICFR) for the year  
ended 31 December 2020

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE CAF GROUP") FOR THE YEAR ENDED 31 DECEMBER 2020**

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.:

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 13 November 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2020, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "*Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2020 described in the Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report, as established in Circular no. 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent modifications, being the most recent the Circular 1/2020 of the National Securities Market Commission dated October 6 ("the Circulars of the NSMC").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and "the Circulars of the NSMC", for the purposes of the description of the ICFR system in annual corporate governance reports.

DELOITTE, S.L.



Pablo Mugica

25 February 2021

**Construcciones y Auxiliar de Ferrocarriles, S.A.**

**Balance Sheets as at 31 December 2020 and 2019 (Notes 1 to 3)**  
(Thousands of euros)

Assets	Note	31/12/20	31/12/19 (*)	Equity and liabilities	Note	31/12/20	31/12/19 (*)
<b>Non-current assets:</b>				<b>Equity:</b>	<b>13</b>		
<b>Intangible assets:</b>	<b>6</b>			<b>Shareholders' equity</b>			
Other intangible assets		59,612	58,401	<b>Share capital:</b>			
		<b>59,612</b>	<b>58,401</b>	Registered share capital		10,319	10,319
						<b>10,319</b>	<b>10,319</b>
<b>Property, plant and equipment</b>	<b>7</b>	<b>96,907</b>	<b>107,264</b>	<b>Share premium</b>		<b>11,863</b>	<b>11,863</b>
<b>Non-current investments in Group companies and associates</b>	<b>9</b>	<b>928,207</b>	<b>987,397</b>	<b>Reserves</b>		<b>605,342</b>	<b>634,738</b>
<b>Non-current financial assets</b>	<b>8</b>	<b>45,031</b>	<b>55,173</b>	<b>Profit for the Year</b>		<b>(49,137)</b>	<b>1,950</b>
<b>Deferred tax assets</b>	<b>16</b>	<b>69,884</b>	<b>68,649</b>			<b>578,387</b>	<b>658,870</b>
<b>Total non-current assets</b>		<b>1,199,641</b>	<b>1,276,884</b>				
				<b>Valuation adjustments:</b>	<b>15</b>		
				Available-for-sale financial assets		227	222
				Hedges		(83)	902
						<b>144</b>	<b>1,124</b>
				<b>Grants, donations and legacies received</b>		<b>3,781</b>	<b>3,440</b>
				<b>Total equity</b>		<b>582,312</b>	<b>663,434</b>
				<b>Non-current liabilities:</b>			
				<b>Long-term provisions</b>	<b>17</b>	<b>2,892</b>	<b>2,405</b>
				<b>Non-current payables:</b>	<b>14</b>		
				Bank borrowings and debt instruments or other marketable securities		600,630	585,658
				Other financial liabilities		60,023	65,028
						<b>660,653</b>	<b>650,686</b>
				<b>Non-current payables to Group companies and associates</b>	<b>10</b>	<b>7,128</b>	<b>7,128</b>
				<b>Deferred tax liabilities</b>	<b>16</b>	<b>1,480</b>	<b>1,689</b>
				<b>Non-current accruals</b>		<b>1,662</b>	
				<b>Total non-current liabilities</b>		<b>673,815</b>	<b>661,908</b>
				<b>Current liabilities:</b>			
				<b>Short-term provisions</b>	<b>17</b>	<b>258,770</b>	<b>234,869</b>
				<b>Current payables:</b>	<b>14</b>		
				Bank borrowings, debt instruments and other marketable securities		40,502	90,646
				Other financial liabilities		52,351	63,623
						<b>92,853</b>	<b>154,269</b>
				<b>Current payables to Group companies and associates</b>	<b>10</b>	<b>85,214</b>	<b>72,175</b>
				<b>Trade and other payables:</b>			
				Payable to suppliers	10	499,465	502,482
				Other payables	11	743,913	770,785
						<b>1,243,378</b>	<b>1,273,267</b>
				<b>Other current liabilities</b>	<b>14</b>	<b>22,629</b>	<b>24,592</b>
				<b>Total current liabilities</b>		<b>1,702,844</b>	<b>1,759,172</b>
				<b>Total equity and liabilities</b>		<b>2,958,971</b>	<b>3,084,514</b>
<b>Current assets:</b>							
<b>Inventories</b>	<b>11</b>	<b>88,213</b>	<b>165,164</b>				
<b>Trade and other receivables:</b>	<b>12</b>						
Trade receivables for sales and services		1,075,440	1,029,756				
Other receivables		26,351	35,403				
Current tax assets		1,650	1,820				
		<b>1,103,441</b>	<b>1,066,979</b>				
<b>Current investments in Group companies and associates</b>	<b>10</b>	<b>98,966</b>	<b>146,088</b>				
<b>Current financial assets</b>	<b>8</b>	<b>68,195</b>	<b>87,193</b>				
<b>Current prepayments and accrued income</b>		<b>1,574</b>	<b>1,250</b>				
<b>Cash and cash equivalents</b>		<b>398,941</b>	<b>340,956</b>				
<b>Total current assets</b>		<b>1,759,330</b>	<b>1,807,630</b>				
<b>Total assets</b>		<b>2,958,971</b>	<b>3,084,514</b>				

(\*) Presented for comparison purposes only.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

## Construcciones y Auxiliar de Ferrocarriles, S.A.

### **Statements of Profit or Loss for the years ended 31 December 2020 and 2019**

**(Notes 1 to 3)**

**(Thousands of euros)**

	Note	(Debit) Credit	
		2020	2019 (*)
<b>Continuing operations:</b>			
Revenue	10 & 19-a	1,496,561	1,433,874
+/- Changes in inventories of finished goods and work in progress		(62,883)	67,378
In-house work on non-current assets		698	11,967
Procurements	10 & 19-b	(901,610)	(889,308)
Other operating income	10	13,191	18,536
Staff costs	19-d	(302,176)	(304,003)
Other operating expenses	10, 17 & 19-e	(244,528)	(277,848)
Depreciation and amortisation charge	6 & 7	(27,534)	(23,999)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants	13-h	616	1,165
Impairment and gains or losses on disposals of non-current assets	6 & 7	11,638	2
<b>Profit (loss) from operations</b>		<b>(16,027)</b>	<b>37,764</b>
Finance income	8, 9 & 10	63,994	50,188
Finance costs	10, 14 & 15	(18,509)	(32,097)
Exchange differences	18	(21,984)	(2,037)
Impairment and gains or losses on disposals of financial instruments	8 & 9	(59,952)	(44,844)
<b>Financial profit</b>		<b>(36,451)</b>	<b>(28,790)</b>
<b>Profit before tax</b>		<b>(52,478)</b>	<b>8,974</b>
Income tax	16	3,341	(7,024)
<b>Profit for the year from continuing operations</b>		<b>(49,137)</b>	<b>1,950</b>
<b>Profit for the year</b>		<b>(49,137)</b>	<b>1,950</b>
<b>Earnings per share (in euros)</b>			
Basic		(1.433)	0.057
Diluted		(1.433)	0.057

(\*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of profit or loss for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

## Construcciones y Auxiliar de Ferrocarriles, S.A.

### Statements of Recognised Income and Expense for 2020 and 2019

(Notes 1 to 3)

(Thousands of euros)

	Note	2020	2019 (*)
<b>A) Profit for the year (per statement of profit or loss)</b>		<b>(49,137)</b>	<b>1,950</b>
<b>B) Income and expense recognised directly in equity</b>		<b>(2,825)</b>	<b>(408)</b>
Arising from valuation of financial assests		6	(22)
Arising from cash flow hedges	15	(1,523)	1,453
Grants, donations and legacies received	13-h	1,064	5,692
Arising from actuarial gains and losses and other adjustments	3-k	(2,482)	(5,816)
Tax effect	16	110	(1,715)
<b>C) Transfers to profit or loss</b>		<b>(296)</b>	<b>(707)</b>
Arising from cash flow hedges	15	227	235
Grants, donations and legacies received	13-h	(616)	(1,165)
Tax effect	16	93	223
<b>Total recognised income and expense (A+B+C)</b>		<b>(52,258)</b>	<b>835</b>

(\*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of recognised income and expense for 2020.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24).  
In the event of a discrepancy, the Spanish-language version prevails.

## Construcciones y Auxiliar de Ferrocarriles, S.A.

### Statements of Changes in Total Equity for 2020 and 2019 (Notes 1 to 3) (Thousands of euros)

	Shareholders' equity				Valuation adjustments	Grants, donations and legacies received	Total equity
	Share capital	Share premium	Reserves	Profit for the year			
<b>Ending balance at 31 December 2018 (*)</b>	<b>10,319</b>	<b>11,863</b>	<b>661,752</b>	<b>4,285</b>	<b>-137</b>	<b>-</b>	<b>688,082</b>
<b>Total recognised income and expense</b>	-	-	<b>-5,816</b>	<b>1,950</b>	<b>1,261</b>	<b>3,440</b>	<b>835</b>
<b>Transactions with shareholders</b>	-	-	<b>-21,198</b>	<b>-4,285</b>	-	-	<b>-25,483</b>
Dividends distribution (Note 13)	-	-	-21,940	-4,285	-	-	-26,225
Business combination (Note 9)	-	-	742	-	-	-	742
<b>Ending balance at 31 December 2019 (*)</b>	<b>10,319</b>	<b>11,863</b>	<b>634,738</b>	<b>1,950</b>	<b>1,124</b>	<b>3,440</b>	<b>663,434</b>
<b>Total recognised income and expense</b>	-	-	<b>-2,482</b>	<b>-49,137</b>	<b>-980</b>	<b>341</b>	<b>-52,258</b>
<b>Transactions with shareholders</b>	-	-	<b>-26,914</b>	<b>-1,950</b>	-	-	<b>-28,864</b>
Dividends distribution (Note 13)	-	-	-26,914	-1,950	-	-	-28,864
<b>Ending balance at 31 December 2020</b>	<b>10,319</b>	<b>11,863</b>	<b>605,342</b>	<b>-49,137</b>	<b>144</b>	<b>3,781</b>	<b>582,312</b>

(\*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of changes in total equity for 2020.



Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

## Construcciones y Auxiliar de Ferrocarriles, S.A.

### Statements of Cash Flows for 2020 and 2019 (Notes 1 to 3) (Thousands of euros)

	Note	2020	2019 (*)
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I)</b>		<b>56,668</b>	<b>(4,745)</b>
<b>Profit for the year before tax</b>		<b>(52,478)</b>	<b>8,974</b>
<b>Adjustments for:</b>			
- Depreciation and amortisation charge	6 & 7	27,534	23,999
- Changes in provisions	17	21,893	436
- Recognition of grants in profit or loss	13	(616)	(1,165)
- Gains/Losses on derecognition and disposal of non-current assets	6 & 7	(11,638)	(2)
- Gains/Losses on derecognition of and valuation adjustments to financial instruments	8 & 9	59,952	44,844
- Finance income		(63,994)	(50,188)
- Finance costs		18,509	32,097
- Other income and expenses		(103)	(3,046)
<b>Changes in working capital</b>			
- Inventories	11	78,898	(100,264)
- Trade and other receivables		(23,971)	64,916
- Other current assets		(1,562)	(1,462)
- Trade and other payables		(35,039)	(17,503)
- Other current liabilities		(24)	32
- Other non-current assets and liabilities		594	(2,556)
<b>Other cash flows from operating activities</b>			
- Income tax recovered (paid)	16	(1,147)	(22,878)
- Other amounts received (paid) (interest and dividends) (net)		39,860	19,021
<b>CASH FLOWS FROM INVESTING ACTIVITIES (II)</b>		<b>26,132</b>	<b>(128,854)</b>
<b>Payments due to investment</b>			
- Group companies and associates	9 & 10	(37,703)	(156,626)
- Intangible assets	6	(20,653)	(29,595)
- Property, plant and equipment	7	(5,790)	(11,717)
- Other financial assets	8	(755)	(516)
<b>Proceeds from disposal</b>			
- Group companies and associates	9 & 10	90,122	68,609
- Property, plant and equipment	7	-	2
- Other financial assets	8	911	989
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III)</b>		<b>(23,491)</b>	<b>84,451</b>
<b>Proceeds and payments relating to financial liability instruments</b>			
- Proceeds from debt instruments and other marketable securities	14	162,700	472,950
- Proceeds from issue of borrowings from Group companies and associates	10	21,316	61,307
- Proceeds from issue of bank borrowings	14	158,150	97,500
- Proceeds from issue of other borrowings	14	6,168	716
- Repayment of debt instruments and other marketable securities	14	(232,700)	(467,950)
- Repayment of bank borrowings	14	(124,615)	(46,384)
- Repayment and amortisation of other borrowings	14	(6,631)	(6,035)
- Repayment of borrowings from Group companies and associates	10	(7,879)	(1,428)
<b>Dividends and returns on other equity instruments paid</b>			
- Dividends	13	-	(26,225)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)</b>		<b>(1,324)</b>	<b>(309)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>		<b>57,985</b>	<b>(49,457)</b>
Cash and cash equivalents at beginning of year		340,956	390,413
Cash and cash equivalents at end of year		398,941	340,956

(\*) Presented for comparison purposes only.

The accompanying Notes 1 to 23 are an integral part of the statement of cash flows for 2020.

*Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

## **Construcciones y Auxiliar de Ferrocarriles, S.A.**

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### **1. Company activities**

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Company") was incorporated in 1917 for an indefinite period of time in San Sebastián (Gipuzkoa), and its registered office is in Calle José Miguel Iturrioz 26, Beasain (Gipuzkoa) (Spain).

The Company's object is described in Article 2 of its bylaws.

The Company currently engages mainly in the manufacture of rolling stock materials.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare consolidated financial statements separately. The consolidated financial statements of the CAF Group for 2020 were formally prepared by its directors at the Board of Directors Meeting held on 25 February 2021. The consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting of Construcciones y Auxiliar de Ferrocarriles, S.A. on 13 June 2020, and were filed at the Gipuzkoa Mercantile Registry.

#### **2. Basis of presentation of the financial statements**

##### ***a) Regulatory financial reporting framework applicable to the Company***

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Spanish Commercial Code and all other Spanish corporate law.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which has been modified by Royal Decree 602/2016, and its industry adaptations, in particular the industry adaptation for construction companies.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- All other applicable Spanish accounting legislation.

##### ***b) Fair presentation***

The accompanying financial statements for 2020, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations, changes in equity and cash flows for 2020. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2019, which were formally prepared by the directors, were approved by the shareholders at the Annual General Meeting on 13 June 2020.

**c) Non-obligatory accounting principles applied and changes in accounting policies**

No non-obligatory accounting principles were applied. The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied.

In 2020 there were no significant changes in accounting policies with respect to those applied in 2019.

**d) Use of estimates**

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein.

Although these estimates were made on the basis of the best information available at 2020 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively (see Notes 6, 7, 9, 11, 15, 16 and 17).

**e) Comparative information**

The information relating to 2020 contained in these notes to the financial statements is presented, for comparison purposes, with the information for 2019.

**f) Grouping of items**

Certain items in the balance sheet, statement of profit or loss, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

**g) Consolidated Group and basis of consolidation**

As indicated in Note 9, the Company has ownership interests in the share capital of other (unlisted) companies which are equal to or greater than 20%.

The Company's long-term investments in Group companies and associates are presented in accordance with the corporate legislation in force (see Note 9). Consequently, the Company's financial statements for 2020 do not reflect the financial and equity changes arising from the application of consolidation methods to these ownership interests or to the transactions performed by them. These changes, which are significant, are however reflected in the CAF Group's consolidated financial statements for 2020.

The main aggregates in the consolidated financial statements of the CAF Group for 2020 and 2019, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as adopted by European Union Regulations, are as follows:

*2020 consolidated financial statements*

	Thousands of euros
<b>Total assets</b>	<b>4,079,151</b>
<b>Equity-</b>	<b>644,203</b>
Of the Parent	632,969
Of non-controlling interests	11,234
<b>Revenue</b>	<b>2,762,472</b>
<b>Profit for the year-</b>	<b>10,253</b>
Of the Parent	9,012
Of non-controlling interests	1,241

2019 consolidated financial statements

	Thousands of euros
<b>Total assets</b>	<b>4,322,826</b>
<b>Equity-</b>	<b>745,367</b>
Of the Parent	733,237
Of non-controlling interests	12,130
<b>Revenue</b>	<b>2,597,655</b>
<b>Profit for the year-</b>	<b>25,090</b>
Of the Parent	24,745
Of non-controlling interests	345

**h) Correction of errors**

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2019.

**i) COVID-19**

COVID-19 was declared a pandemic by the World Health Organization in March 2020. The Company is making every possible effort within the regulatory framework set out by the Spanish and international health authorities, guaranteeing the health and safety of all its employees as its priority, while maintaining the supply chain to its customers.

Consequently, in order to follow the guidelines set out by the governments of the countries in which the Company operates, the Company has adapted its working practices and has prepared action protocols that include a series of prevention and protection measures to avoid the spread of the Coronavirus among its workers, as well as a line of action to be taken in the event that suspicious cases are detected.

On 16 March 2020, CAF decided to halt its train manufacturing activity at its plants in Spain when compliance with the minimum occupational health and safety conditions could not be ensured, in relation to the minimum distance between people, thereby avoiding possible infections in the workplace. At the various plants, agreements were reached with the works councils for the return to work, and the activity was restarted at the Spanish plants on 20 April, with an agreement to recover the days in which the activity was halted. To do this, organisational measures were taken to distribute all the workers into more evenly numbered groups in order to reduce as far as possible the crowding of people in various manufacturing areas. At 31 December 2020, the volume of hours to be recovered amounted to 31,000 hours, equal to EUR 1,329 thousand, which are recognised under "Trade and Other Receivables - Other Receivables" in the accompanying balance sheet (172,128 hours, equal to EUR 7,675 thousand, at 30 June 2020) and which will be recovered during the 2021 financial year, according to the agreement reached.

The recommencement of activity was defined by prioritising compliance with personal health and safety conditions, with preparation of the restart taking into account both legal requirements and all the guidelines and specific protocols developed by the health authorities, which were adapted to the reality of CAF's activities and facilities. The workers were informed of, and received training on, the general and specific prevention measures established for each of the activities to be performed before commencing them. The crisis management process applied in Spain is the same process followed in the other factories and sales offices, adapting the measures, where appropriate, to the particular characteristics of substance, form and time required by each country.

With regard to the manufacture of buses, activity continued in the production plants, although there were difficulties in making bus deliveries in areas especially affected by COVID-19.

In terms of services, COVID-19 had a direct effect on operators and the services they have offered the public and, consequently, on the requirements of the maintenance and guarantee work provided. The impact has been different in each country, due both to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group's guidelines, working practices have been adapted with adapted protocols at all the centres throughout the world. At 31 December 2020, 64 maintenance workers were covered by furlough-type arrangements (Spanish ERTes) at various subsidiaries, due to the reduction in the scope of maintenance contracts (a maximum of 615 people having been reached in the month of May). At 17 February 2021, they

applied to 62 workers (with varying percentages of impact for each employee depending on the demand for work).

Activities that could continue to be performed through remote working were maintained since the date on which manufacturing activities were halted. These actions led to a reduction in activity at most of the train production plants, and to a lesser extent in the area of services, and resulted in additional costs to mitigate and respond to this pandemic.

Due to the conditions and derivative facts of COVID-19, at the date of authorisation for issue of these financial statements, no events such as the termination of contracts with customers or significant litigation with customers or suppliers had occurred. During the 2020 financial year, the Group has continued to identify opportunities and submit offers in the market.

The effects of the reduction in activity and of the inefficiencies and incremental costs incurred by the Company in 2020 were recognised in the accompanying statement of profit or loss under "Profit (Loss) from Operations".

The Company's directors consider that this is a temporary impact, as a portion of the inefficiencies caused by the halt in manufacturing activity is expected to be recovered and the fleet operators are expected to return to their normal levels of activity. However, there is a great deal of uncertainty as to the consequences of the pandemic in the coming months in the economic environment in which the Company operates. In this respect, the pandemic's evolution is being monitored continually with the aim of mitigating early any adverse impact that may arise in the future; the effects will depend to a large degree on the evolution and extension of the pandemic in the coming months and the approval of stimulus packages to boost the economy in such a way that does not check the level of public authorities' current commitment to sustainable mobility.

As described in Note 5-a.2, the Company is exposed to foreign currency risk in relation to various currencies. During this period, the Company's exposure to the various currencies did not vary significantly with respect to the exposure at 31 December 2019, with significant variations occurring in the exchange rates of the currencies of the main countries in which the Company operates, with a significant impact on earnings.

The CAF Group has adopted additional measures to boost its capacity to obtain financing and limit the financial impact of this crisis, with the optimisation of operations, the postponement of non-critical investments and a significant reduction in discretionary spending.

Among the main measures to strengthen the liquidity position, and in light of the uncertainty caused by COVID-19, the Group increased its financing lines, which contributed to improving the Group's liquidity in the period, reaching EUR 1,115 million at 31 December 2020 (31 December 2019: EUR 914 million). This amount, together with the current level of the backlog, continues to guarantee the normal course of business.

Additionally, the estimates made by the Company's senior management to assess the impairment of investments in Group companies and associates, intangible and tangible assets and financial assets were updated, based on the new conditions arising from the pandemic.

Lastly, the Company's credit risk exposure did not increase significantly nor were impairment events identified and, therefore, the Company was not affected by the expected credit loss on its trade receivables recognised at 31 December 2020.

### **3. Accounting policies**

The principal accounting policies used by the Company in preparing its financial statements as at 31 December 2020 and 2019, in accordance with the Spanish National Chart of Accounts, were as follows:

#### **a) Intangible assets**

Computer software and development projects for which there are no doubts as to their technical and commercial success are measured at their acquisition cost (or, where appropriate, at their accumulated production cost applied in accordance with inventory measurement bases - see Note 3-e). Computer

software is amortised on a straight-line basis over five years from its acquisition. Development projects are amortised on a straight-line basis over 5 years from their acquisition or completion.

**b) Property, plant and equipment**

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 3-c. The acquisition cost was revalued pursuant to the related legislation, including Gipuzkoa Regulation 11/1996, of 5 December, Gipuzkoa Regulation 13/1991, of 13 December, and Gipuzkoa Regulation 1/2013, of 5 February (see Note 13-c).

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work performed by the Company on its items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (see Note 3-e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25 - 50
Plant and machinery	6 - 10
Other fixtures, tools and furniture	3 - 10
Other items of property, plant and equipment	10 - 20

In 2020 and 2019 the Company did not capitalise any borrowing costs to "Property, Plant and Equipment", as it did not have any significant projects the construction period of which exceeded one year and it considered the attributable general-purpose borrowings to be very insignificant.

**c) Impairment of assets**

At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

**d) Financial instruments**

*Financial assets and trade and other receivables*

In accordance with the classification criteria established, the Group classifies its financial assets in the following categories:

- (1) Loans and other long-term receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business. Loans and other long-term receivables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method. The amortised cost is understood to be the initial cost minus principal repayments and any reduction for impairment or uncollectability. The effective interest rate is the discount rate that exactly matches the initial carrying amount of a financial instrument to all its cash flows.
- (2) Held-to-maturity investments. Financial assets with fixed maturity that the Company has the intention and ability to hold to maturity. These investments are also initially recognised at fair value and are subsequently measured at amortised cost.

(3) Held-for-trading financial assets classified as at fair value through profit or loss. These assets must have any of the following characteristics:

- They have been classified as held-for-trading because they have been acquired to generate a profit through short-term fluctuations in their prices.
- They are financial derivatives provided that they have not been designated as part of a hedging relationship.
- They have been included in this category of assets since initial recognition.

(4) Available-for-sale financial assets. Available-for-sale financial assets are measured at fair value. This category includes financial assets acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss. Substantially all these assets relate to equity investments. These assets are measured in the balance sheet at fair value which, in the case of unlisted companies, is obtained using alternative methods, such as comparison with similar transactions or, if sufficient information is available, by discounting expected future cash flows. Changes in fair value are recognised directly under "Equity - Valuation Adjustments - Available-for-Sale Financial Assets" in the balance sheet until the investments are disposed of, at which time the cumulative balance of this heading relating to the investments disposed of is recognised in full in the statement of profit or loss. In this regard, (permanent) impairment is presumed to exist if the market value of the asset has fallen by more than 40% or if there has been a prolonged fall in market value over a period of 18 months without the value having recovered.

Equity investments in unlisted companies, the fair value of which cannot be measured reliably using alternative methods such as those indicated in the preceding paragraph, are measured at cost, unless there are indications of impairment, in which case they are recognised in profit or loss.

(5) Investments in Group companies, associates and jointly controlled entities. These are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

Company management determines the most appropriate classification for each asset on acquisition, which is subsequently reviewed at the end of each year.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

The Company recognises an allowance for debts in an irregular situation due to late payment, suspension of payments, insolvency or other reasons, after performing a case-by-case collectability analysis (see Note 12). Also, the Company derecognises trade receivable balances for the amount of the accounts receivable factored provided that substantially all the risks relating to default and delinquency and the rewards inherent to ownership of these accounts receivable (non-recourse factoring) have been transferred. At 31 December 2020, the Company had factoring without recourse receivables amounting to EUR 57,321 thousand (31 December 2019: EUR 44,699 thousand).

#### *Cash and cash equivalents*

"Cash and Cash Equivalents" in the accompanying balance sheet includes cash and demand deposits.

### *Financial liabilities*

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

### *Derivative financial instruments*

The Company uses these instruments to hedge the risks to which its business activities, operations and future cash flows are exposed. Basically, it does so to hedge the foreign currency risk to which its project contracts, certain investments in investees and the financing received are exposed, and to hedge the interest rate risk arising from loan drawdowns (see Notes 5 and 15).

The Company reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is suitable documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Company's risk management policy.

CAF has defined financial risk management objectives and policies which set forth, in writing, the policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under "Changes in Fair Value of Financial Instruments" in the accompanying statement of profit or loss.
- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments - Hedges". This method is used by the Company for those projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to firm commitments, the amounts previously recognised in equity are reclassified to profit or loss.
- In hedges of net investments in foreign operations, the gains or losses attributable to the effective portion of the hedging instrument are charged or credited to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the statement of profit or loss, and are adjusted in the line item that includes the value of the investment by the portion of the hedge that meets the criteria to be considered effective.

The fair value of the derivative financial instruments was calculated including the Company's own credit risk and that of the counterparty (see Note 15).

### **e) Inventory measurement bases**

Raw materials and other supplies and goods held for resale are measured at the lower of average acquisition cost or net realisable value.

Work in progress and finished and semi-finished goods are presented net of costs already settled as described in Note 3-f and are measured as follows:

- Materials and expenses allocated to each project: at the average acquisition or production cost.



- Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.
- For inventories that necessarily take a period of more than twelve months to become available for sale, the cost includes the related borrowing costs.

**f) Recognition of contract revenue and profit**

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. The Company recognizes its income from the following main sources:

**Construction contracts**

For construction contracts, the Company generally recognises the income and profit or loss on each contract by reference to the estimated stage of completion of the contract, calculated on the basis of the actual hours incurred in each contract as a percentage of the estimated total hours, which is in keeping with other methods for determining the stage of completion on the basis of the costs incurred compared with the total budgeted costs.

Once the projected profit or loss on each contract has been determined, the Company applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a percentage of completion of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty in the contracts in the long term.
- From 10% onwards, a percentage of profit and revenue equal to the percentage of completion is recognised.

Revenue and profit or loss on civil engineering construction, signalling and engineering services contracts are recognised by reference to the estimated stage of completion of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

The Company analyzes for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at a price that reflects the cost plus margin incurred.

Potential losses on project contracts are recognised in full when they become known and can be estimated.

The Company only recognises revenue from claims when the customer has accepted the claim and evidence of such acceptance exists, either in the form of a contractual modification or a document of a similar legal nature.

Based on the revenue realised, the projected profit or loss on each contract (calculated as described above) and the stage of completion, inventories are derecognised for the amount of the costs settled with a charge to the related heading in the statement of profit or loss and a credit to "Inventories" on the asset side of the balance sheet (see Note 11).

**Maintenance contracts**

Maintenance revenue is recognised based on the performance of the service over the term of the contract.

When major repairs take place over specific periods of time, the percentage of completion of the service is postponed and the recognition of a portion of the revenue from the billings received is deferred until the periods when the major repairs take place. In these cases, this difference is recognised with a charge to "Revenue" in the accompanying statement of profit or loss and a credit to "Trade and Other Payables - Other Payables" in the accompanying balance sheet.

### **Sales of wheel sets, replacement parts and lesser refurbishment and upgrading work**

Revenue from sales of wheel sets, replacement parts and lesser refurbishment and upgrading work is recognised when control of the asset is transferred to the customer and the entity satisfies a performance obligation deemed to be the point in time when the good is delivered.

### **Income from financial assets**

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

#### **g) Customer advances and completed contract work**

Unlike the method used to recognise revenue from contracts, the amounts billed to the customer are based on achievement of the milestones established in the contract. The difference between revenue recognised on each project (see Note 3-f) and the amount billed for the project is recognised as follows:

- If the difference is positive, under "Trade Receivables for Sales and Services - Amounts to Be Billed for Work Performed" (deferred billings) (see Note 11).
- If the difference is negative, under "Trade and Other Payables - Other Payables - Advances Received on Orders" (prebillings) (see Note 11).

#### **h) Foreign currency transactions and other obligations**

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing (see Note 18). Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise. Foreign currency transactions for which the Company decided to arrange financial derivatives in order to mitigate the foreign currency risk are recognised as described in Note 3-d.

#### **i) Current/Non-current classification**

Items are classified under "Current Assets" and "Current Liabilities" (prebillings, deferred billings and short-term provisions) which may be realised or settled in more than twelve months, since they form part of the Company's normal operating cycle as established in the applicable legislation. Considering the items as a whole, the directors' estimates indicate that the current assets will be realised essentially in the short term and, in any event, the current liabilities to be settled in more than twelve months exceed the current assets that would be realised in more than twelve months (see Notes 11 and 17).

#### **j) Grants, donations and legacies**

The Company accounts for grants, donations and legacies received as follows:

- a) Non-refundable grants, donations and legacies related to assets: these are measured at the fair value of the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in equity and do not give rise to the recognition of any income (see Note 13-h).
- b) Refundable grants: while they are refundable, they are recognised as a liability.

- c) Grants related to income: grants related to income are credited to income when definitively granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to profit or loss in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred. The Company recognised income of EUR 921 thousand and EUR 1,719 thousand in 2020 and 2019, respectively, in this connection under "Other Operating Income" in the accompanying statement of profit or loss.

#### **k) Post-employment benefits**

The Company's legal and contractual obligations to certain of its employees in relation to supplementary retirement and death benefits are met through premiums under defined benefit plans to external funds deposited, or in the process of being externalised, at independent insurance companies. The contributions made in 2020 for various groups of employees amounted to EUR 7,679 thousand (2019: EUR 8,466 thousand). The impact of these obligations on the statement of profit or loss for 2020 amounted to EUR 5,146 thousand (2019: EUR 3,410 thousand) with a charge to "Staff Costs". In 2020 a net actuarial loss of EUR 2,482 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2019: a net actuarial loss of EUR 5,816 thousand).

In accordance with the accrual basis of accounting, at 31 December 2020 the Company recognised a current asset of EUR 280 thousand and a current liability of EUR 721 in the balance sheet, calculated by an independent valuer, being such amount the difference between the present value of the defined benefit obligations accrued and the fair value of the assets qualifying as plan assets (31 December 2019: current assets of EUR 105 thousand) and liability of EUR 597 thousand. The future modifications to the obligations assumed will be recognised in profit or loss for the related years (see Notes 14 and 19-d).

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past.

In accordance with the applicable collective agreement, the Company contributes an additional 2.3% of all its employees to an employee benefit entity (EPSV) (see Notes 19-d, 20 and 21).

#### **l) Income tax**

The expense for income tax and other similar taxes are recognised in the statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that there will be sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the Company are deemed to be those that will be earned in the period covered by its backlog.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### **m) Leases**

The Company classifies as finance leases, lease arrangements whereby the lessor transfers all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

At 31 December 2020 and 2019, the Company had not entered into any finance leases in which it acted as lessee. In finance leases in which the Company acts as the lessor, at inception of the lease an account receivable is recognised equal to the present value of the minimum lease payments receivable plus the residual value of the asset, discounted at the interest rate implicit in the lease. The difference between the account receivable recognised and the amount to be received, which relates to unearned finance income, is allocated to profit or loss as earned using the effective interest method (see Note 8-a).

At 31 December 2020 and 2019, the Company had various outstanding operating leases for which it had recognised an expense of EUR 1,968 thousand in 2020 (2019: EUR 2,327 thousand) with a charge to "Other Operating Expenses" in the accompanying statement of profit or loss. The Company expects to continue to lease these assets (principally equipment and real estate), the costs of which are tied to the CPI.

The payment commitments for future years in relation to outstanding operating leases at 31 December 2020 amounted to EUR 6,490 thousand over the next few years, of which EUR 1,595 thousand are due in 2021 (31 December 2019: EUR 8,096 thousand, of which EUR 1,702 thousand were to be paid in 2019).

Expenses arising in connection with leased properties and equipment are allocated to "Other Operating Expenses" in the statement of profit or loss over the term of the lease on an accrual basis.

**n) Related party transactions**

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

**4. Distribution of profit**

The proposed distribution of the profit for 2020 that the Company's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

Distribution	Thousands of euros
<b>Distributable profit</b>	
Profit for the year	(49,137)
<b>Distribution</b>	
Voluntary reserves	(49,137)

**5. Financial risk management**

The Company is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

These risks include financial risks: market risk (inter alia: foreign currency risk, interest rate risk and commodity price risk), credit risk, liquidity risk and financing risk.

The financial risk management policy adopted by the Company focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Company's objectives.

The Company's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with General Risk Management and Control Policy and the specific financial risk management policies established by the Board of Directors.

**a) Market risk**

The Company manages market risk in accordance with the principles set out in the Market Risks Policy.

*a.1) Cash flow and fair value interest rate risk*

The interest rate risk arises from the possibility that changes may occur in the value of the Company's financial assets and liabilities as a result of the changes in market interest rates. In accordance with the policy, financing transactions are performed under appropriate cost, terms and risk terms and conditions, considering at all times optimal use of the various instruments and sources of financing. Specifically, the Group sets an objective, to the extent permitted by the markets, of maintaining a borrowing structure balanced between fixed and floating interest rates (usually Euribor) the goal of which is to maintain an adequate balance between the cost of financing and the risk of changes in interest rates.

At 31 December 2020, the Company has a liability exposure of EUR 267 million in relation to changes in market interest rates (31 December 2019: EUR 218 million) and of EUR 373 million in relation to fixed interest rates (31 December 2019: EUR 457.3 million), of which EUR 25 million were fixed as a result of interest rate derivatives (see Notes 14 and 15).

*a.2) Foreign currency risk*

The Company operates on an international stage and, therefore, is exposed to foreign currency risk in its foreign currency transactions (currently the US dollar, the Brazilian real, the pound sterling, the Swedish krona, the Australian dollar, the Saudi riyal, the Mexican peso, the Japanese yen, the Colombian peso, the New Zealand dollar, Israeli shekel, Turkish lira, Canadian dollars, Hong Kong dollars and the Hungarian florin, among others).

The foreign currency risk to which the Company is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risk Policy, which envisages various strategies aimed at reducing that risk, such as, for example, the arrangement of financial or natural hedges, ongoing monitoring of exchange rate fluctuations and other complementary measures.

In line with the principles of this policy, as a general rule the Company transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the Company's functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Company's results present fairly its industrial and services activity.

The impact on the statements of profit or loss for 2020 and 2019 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (see Note 15), would be as follows:

Currency	Gain/(Loss) in thousands of euros	
	2020	2019
Brazilian real	(1,538)	(4,829)
Pound sterling	(349)	4,400
Mexican peso	(1,942)	(3,342)
New Taiwan dollar	(3,462)	(3,625)

At 31 December 2020 and 2019, the Company was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of CAF USA Inc., the exposure of which is hedged (see Notes 9 and 15).

*a.3) Commodity price risk*

For the most significant commodities, the Company's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

**b) Credit risk**

Most of the Company's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Company's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

At 31 December 2020 and 2019, the Company had insured a portion of its accounts receivable from customers in certain countries abroad, taking into account the risk of each of them, through credit insurance policies (see Note 12).

### c) Liquidity and financing risk

As determined in the Liquidity and Financing Policy, management of liquidity and financing involves ensuring that the payment commitments arising from the obligations undertaken are met, optimising the financial structure and safeguarding adequate management of the Company's surpluses in the framework of its long-term strategy (see Notes 8 and 14).

The Company manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which results in financial resources being consumed.
- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.
- Maintaining a strong short-term liquidity position.
- Maintaining surplus undrawn credit balances.

The Company adopted additional measures to strengthen its financing capacity due to the effect of COVID-19 (see Note 2-i).

### d) Brexit: impact on financial risks

The emergence of Brexit in June 2016 gave rise to the need to conduct an analysis of its consequences and its impact of various lines of business. 2020 was the Brexit transition period, in which the framework of the new relationship between the UK and the European Union was negotiated.

On 24 December 2020, the European Union and the UK reached a Trade and Cooperation Agreement, with effect from 1 January 2021. This agreement will allow the Company to continue operating normally in the businesses that the Company has in the UK and, therefore, it has not had a significant impact on these financial statements.

## 6. Intangible assets

The changes in "Intangible Assets" in the balance sheet in 2020 and 2019 were as follows:

### 2020

	Thousands of euros			
	31/12/19	Additions or charge for the year	Disposals or reductions	31/12/20
<b>Cost:</b>				
Development expenditure	134,941	8,693	(1,680)	141,954
Computer software	30,720	7,528	-	38,248
<b>Total cost</b>	<b>165,661</b>	<b>16,221</b>	<b>(1,680)</b>	<b>180,202</b>
<b>Accumulated amortisation:</b>				
Development expenditure	74,017	11,222	(793)	84,446
Computer software	16,623	2,901	-	19,524
<b>Total accumulated amortisation</b>	<b>90,640</b>	<b>14,123</b>	<b>(793)</b>	<b>103,970</b>
<b>Impairment:</b>				
Development expenditure	16,620	-	-	16,620
<b>Total impairment</b>	<b>16,620</b>	<b>-</b>	<b>-</b>	<b>16,620</b>
<b>Intangible assets, net</b>	<b>58,401</b>	<b>2,098</b>	<b>(887)</b>	<b>59,612</b>

## 2019

	Thousands of euros			
	31/12/18	Additions or charge for the year	Transfers to inventories	31/12/19
<b>Cost:</b>				
Development expenditure	113,324	21,961	(344)	134,941
Computer software	21,600	9,120	-	30,720
<b>Total cost</b>	<b>134,924</b>	<b>31,081</b>	<b>(344)</b>	<b>165,661</b>
<b>Accumulated amortisation:</b>				
Development expenditure	66,487	7,530	-	74,017
Computer software	14,758	1,865	-	16,623
<b>Total accumulated amortisation</b>	<b>81,245</b>	<b>9,395</b>	<b>-</b>	<b>90,640</b>
<b>Impairment:</b>				
Development expenditure	16,620	-	-	16,620
<b>Total impairment</b>	<b>16,620</b>	<b>-</b>	<b>-</b>	<b>16,620</b>
<b>Intangible assets, net</b>	<b>37,059</b>	<b>21,686</b>	<b>(344)</b>	<b>58,401</b>

The additions in 2020 recognised under "Development Expenditure" relate to the costs incurred in developing new products including, most notably: highly-automated signalling systems; hydrogen technologies as an alternative to diesel propulsion; virtual validation environments aimed at reducing costs and deadlines in the commissioning of vehicles; and the TCMS platform for the implementation of critical safety functions.

With regard to "Computer Software", in 2019 the Company began to implement the new ERP, with most additions in 2020 and 2019 relating to this project. At 31 December 2020, the Company had investment obligations of EUR 28,991 thousand, mainly in relation to the new IT system which is expected to be put into operation in 2023.

In 2020 the assets related to the coupler division were sold, mainly industrial property. The value of this sale amounted to EUR 15,000 thousand, giving rise to a gain of EUR 11,663 thousand that was recognised which was recorded with a credit to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying statement of profit or loss.

Research and development expenditure incurred in 2020 and recognised in profit or loss amounted to EUR 2,031 thousand (2019: EUR 5,871 thousand).

At 2020 year-end the Company had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 59,527 thousand (31 December 2019: EUR 58,254 thousand).

### *Impairment losses*

The Company did not recognise any impairment losses on its intangible assets in 2020 and 2019.

## 7. Property, plant and equipment

The changes in the years ended 31 December 2020 and 2019 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

### 2020

	Thousands of euros				
	31/12/19	Additions or charge for the year	Disposals or reductions	Transfers	31/12/20
<b>Cost:</b>					
Land	13,551	25	-	-	13,576
Buildings	155,344	355	(31)	-	155,668
Plant and machinery	235,011	1,953	(2,510)	-	234,454
Other fixtures, tools and furniture	16,965	524	(910)	-	16,579
Other items of property, plant and equipment	26,819	597	(502)	(375)	26,539
<b>Total cost</b>	<b>447,690</b>	<b>3,454</b>	<b>(3,953)</b>	<b>(375)</b>	<b>446,816</b>
<b>Accumulated depreciation:</b>					
Buildings	95,828	4,818	(31)	-	100,615
Plant and machinery	208,337	6,482	(2,497)	-	212,322
Other fixtures, tools and furniture	12,806	842	(898)	-	12,750
Other items of property, plant and equipment	22,007	1,269	(502)	-	22,774
<b>Total accumulated depreciation</b>	<b>338,978</b>	<b>13,411</b>	<b>(3,928)</b>	<b>-</b>	<b>348,461</b>
<b>Impairment</b>	<b>1,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,448</b>
<b>Property, plant and equipment, net</b>	<b>107,264</b>	<b>(9,957)</b>	<b>(25)</b>	<b>(375)</b>	<b>96,907</b>

### 2019

	Thousands of euros				
	31/12/18	Additions or charge for the year	Disposals or reductions	Transfers	31/12/19
<b>Cost:</b>					
Land	13,551	-	-	-	13,551
Buildings	152,159	3,185	-	-	155,344
Plant and machinery	232,071	4,405	(1,465)	-	235,011
Other fixtures, tools and furniture	16,159	823	(17)	-	16,965
Other items of property, plant and equipment	27,554	896	(360)	(1,271)	26,819
<b>Total cost</b>	<b>441,494</b>	<b>9,309</b>	<b>(1,842)</b>	<b>(1,271)</b>	<b>447,690</b>
<b>Accumulated depreciation:</b>					
Buildings	91,134	4,694	-	-	95,828
Plant and machinery	201,225	7,470	(358)	-	208,337
Other fixtures, tools and furniture	11,922	901	(17)	-	12,806
Other items of property, plant and equipment	20,931	1,539	(22)	(441)	22,007
<b>Total accumulated depreciation</b>	<b>325,212</b>	<b>14,604</b>	<b>(397)</b>	<b>(441)</b>	<b>338,978</b>
<b>Impairment</b>	<b>2,555</b>	<b>-</b>	<b>(1,107)</b>	<b>-</b>	<b>1,448</b>
<b>Property, plant and equipment, net</b>	<b>113,727</b>	<b>(5,295)</b>	<b>(338)</b>	<b>(830)</b>	<b>107,264</b>



In 2020 the most significant investments were aimed at modernising and expanding the production areas at the Beasain and Zaragoza plants, related to the manufacture of railway vehicles.

In 2013 the Company revalued its property, plant and equipment pursuant to Gipuzkoa Regulation 1/2013, of 5 February, paying a one-off rate of 5% of the revalued amount. Previously, the Company had availed itself of other legislation relating to revaluations, namely, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 (see Note 13-c).

The 2013 revaluation was made applying the rates established in legislation on the acquisition cost, based on the year of acquisition of the property, plant and equipment. In the case of improvements, the year in which they are made was taken into account. Also, the established rates were applied to the depreciation taken for accounting purposes on the acquisition or production cost that was deductible for tax purposes, based on the year in which it was applied. In the case of assets revalued pursuant to Gipuzkoa Regulation 11/1996, the rates were applied to the acquisition price and to the depreciation that was deductible for tax purposes, without taking into account the net increase in value arising from the revaluations.

The Company revalued items recognised such as buildings, plant, machinery and tools. The revaluation of the balance sheet items amounted to EUR 46,170 thousand and the adjustment to the depreciation charge amounted to EUR 19,676 thousand.

The net increase in value arising from the revaluations is depreciated over the tax periods in the remaining useful lives of the assets. The effect of the revaluations on the depreciation charge for the year was EUR 755 thousand (2019: EUR 803 thousand).

The effect of the revaluations of the property, plant and equipment in accordance with Gipuzkoa Regulation 1/2013, Gipuzkoa Regulation 11/1996 and Gipuzkoa Decree 13/1991 on the depreciation charges for the year and the accumulated depreciation recognised in 2020 and in prior years amounted to approximately EUR 804 thousand and EUR 13,444 thousand, respectively (2019 and prior years: EUR 862 thousand and EUR 12,797 thousand).

At 31 December 2020, the Company recognised EUR 2,666 thousand (31 December 2019: EUR 5,001 thousand) under "Current Payables - Other Financial Liabilities" in relation to non-current asset suppliers (see Note 14).

At 2020 year-end the Company had firm investment commitments amounting to EUR 1,965 thousand in relation mainly to the new fitting-out of certain facilities and equipment (2019 year-end: EUR 470 thousand). In principle, these investments will be equity financed.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At the end of 2020 and 2019 the property, plant and equipment were fully insured against these risks.

At 31 December 2020, the gross cost of fully depreciated property, plant and equipment still in use amounted to approximately EUR 269,199 thousand (31 December 2019: approximately EUR 257,965 thousand), of which at 31 December 2020 EUR 52,493 thousand related to "Buildings" (2019: EUR 49,099 thousand), EUR 194,334 thousand to "Plant and Machinery" (2019: EUR 185,819 thousand) and EUR 22,372 thousand to "Other Fixtures, Tools and Furniture" and "Other Items of Property, Plant and Equipment" (2019: EUR 23,047 thousand).

In 2020 the Company sold items of property, plant and equipment, giving rise to a gain of EUR 25 thousand (EUR 2 thousand in 2019).

The Company has no future dismantling or restoration commitments and, accordingly, no asset was recognised in this connection.

At 31 December 2020 and 2019, the Company did not have any investments in property, plant and equipment located abroad for significant amounts.

### Impairment losses

In 2020 there were no indications of impairment. At the end of 2016, the Company discontinued its activities at the steelworks at its Beasain plant. Consequently, the Company's directors evaluated the recoverability of the related net assets, based on the appraisal performed by an independent valuer, recognising impairment amounting to EUR 1,107 thousand in 2019 associated with the derecognition of assets of the steelworks.

## **8. Financial assets (non-current and current)**

### **a) Non-current financial assets**

The detail of "Non-Current Financial Assets" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes Categories	Non-current financial assets					
	Equity instruments		Loans, derivatives and other		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Held-to-maturity investments	-	-	129	134	129	134
Loans and receivables	-	-	4,793	9,477	4,793	9,477
Available-for-sale financial assets-	1,309	1,337	-	-	1,309	1,337
Financial derivatives (Note 15)	-	-	38,800	44,225	38,800	44,225
<b>Total</b>	<b>1,309</b>	<b>1,337</b>	<b>43,722</b>	<b>53,836</b>	<b>45,031</b>	<b>55,173</b>

The detail of loans and receivables is as follows (in thousands of euros):

	31/12/20	31/12/19
Long-term grants receivable	-	3,185
Non-current trade receivables	1,149	2,507
Loans to employees	3,644	3,785
<b>Total</b>	<b>4,793</b>	<b>9,477</b>

### *Non-current trade receivables*

"Non-Current Trade Receivables" includes an account receivable amounting to EUR 1,149 thousand at long term (31 December 2019: EUR 2,507 thousand) and EUR 1,498 thousand at short term (31 December 2019: EUR 1,407 thousand) relating to a finance lease of rolling stock for an initial amount of EUR 10,570 thousand, under which the Company will receive constant monthly lease payments over a period of 120 months, which began in 2012.

### *Loans to employees*

In accordance with the agreements entered into with employees, the Company grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Company does not discount these amounts since it considers that the effect of doing so is scanty material.

### *Available-for-sale financial assets*

The Company owns 14.18% of Iniciativa FIK, AIE, the company object of which is research and development and the exploitation of scientific and technological knowledge. The par value of the shares amounts to EUR 3,125 thousand. The ownership interest has been written down by EUR 2,374 thousand (31 December 2019: EUR 2,349 thousand) and impairment of EUR 25 thousand was recognised in 2020 under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss.

In addition, the Company holds 3% of Albali Señalización, S.A. As 31 December 2020, the fair value of the subscribed shares amounts to EUR 558 thousand (2019: EUR 561 thousand).

The detail, by maturity, of "Non-Current Financial Assets", excluding equity instruments, is as follows (in thousands of euros):

## 2020

	2022	2023	2024	2025 and subsequent years	Total
Held-to-maturity investments	116	13	-	-	129
Loans and receivables	1,848	626	543	1,776	4,793
Financial derivatives	16,962	14,264	5,237	2,337	38,800
<b>Total</b>	<b>18,926</b>	<b>14,903</b>	<b>5,780</b>	<b>4,113</b>	<b>43,722</b>

## 2019

	2021	2022	2023	2024 and subsequent years	Total
Held-to-maturity investments	29	92	13	-	134
Loans and receivables	5,250	1,793	565	1,869	9,477
Financial derivatives	12,229	18,053	10,265	3,678	44,225
<b>Total</b>	<b>17,508</b>	<b>19,938</b>	<b>10,843</b>	<b>5,547</b>	<b>53,836</b>

### *Impairment losses*

In 2020 and 2019 the Company did not recognise any changes under "Non-Current Financial Assets - Loans and Receivables" as a result of impairment losses.

### **b) Current financial assets**

The detail of "Current Financial Assets" at the end of 2020 and 2019 is as follows (in thousands of euros):

	31/12/20	31/12/19
Held-for-trading financial assets	61,097	60,564
Financial derivatives (Note 15)	7,098	26,629
<b>Total</b>	<b>68,195</b>	<b>87,193</b>

The Company invests cash surpluses in government debt securities, repos, short-term deposits, term deposits, promissory notes or fixed-income investment funds. These are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying statement of profit or loss. In 2020 the Company recognised a gain of EUR 536 thousand in this connection (2019: gain of EUR 1,333 thousand).

## **9. Group companies and associates**

The detail of "Non-Current Investments in Group Companies and Associates" at 31 December 2020 and 2019 is as follows (in thousands of euros):

	31/12/19	Change	31/12/20
Ownership interests	1,030,926	17,730	1,048,656
Impairment losses on ownership interests	(172,820)	(60,082)(*)	(232,902)
Non-current loans (Note 10)	129,291	(16,838)	112,453
<b>Total</b>	<b>987,397</b>	<b>(59,190)</b>	<b>928,207</b>

(\*) Including a net amount recognised of EUR 59,927 thousand under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss for 2020, a net reversal of EUR 155 thousand relating to the impact of derivatives related to net investments in foreign operations.

	31/12/18	Change	31/12/19
Ownership interests	953,319	77,607	1,030,926
Impairment losses on ownership interests	(137,175)	(35,645) (*)	(172,820)
Non-current loans (Note 10)	121,598	7,693	129,291
<b>Total</b>	<b>937,742</b>	<b>49,655</b>	<b>987,397</b>

(\*) Including a net amount recognised of EUR 37,729 thousand under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss for 2019, a net reversal of EUR 374 thousand relating to the impact of derivatives related to net investments in foreign operations and a reversal of EUR 1,710 thousand under "Reserves" as a consequence of the financial impact of a fusion between companies of the Group.

The most significant information in relation to investments in Group companies and associates the end of 2020 and 2019 is as follows (in thousands of euros):

**2020**

Name	Location	Line of business	Percentage of ownership			Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect					Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2020
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	(3)	301	-	-	316	4,127	5,802	4,357
CAF Argelia (EURL)	Argel	Manufacturing and maint.	100%	-		2,171	(62)	(62)	2,171	74	(121)	(165)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation y maint.	97.61%	2.39%	(3)	4,017	(100)	(3,772)	2	225	26	19
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	(3)	521	-	-	530	98	268	175
CAF Brasil Indústria e Comércio, S.A.(2)	Sao Paulo	Manufacturing and maint.	0.97%	99.03%	(3)	2,765	(260)	(2,250)	210,558	(177,655)	(4,135)	(3,887)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	(3)	1	-	-	1	1,815	264	139
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellín	Manufacturing and maint.	100%	-		456	(71)	(138)	36	251	140	32
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-		25	-	-	25	256	92	57
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-		5,262	(117)	(4,037)	1,521	(179)	(232)	(169)
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-		160	-	-	24	220	54	21
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	(3)	110	-	-	3,917	3,629	199	76
CAF Italia, S.R.L.	Roma	Reparation y maint.	100%	-		5,600	(1,669)	(1,669)	100	3,801	596	30
CAF México, S.A. de C.V.(2)	México D.F.	Manufacturing and maint.	99.94%	0.06%	(3)	6,755	-	-	6,773	3,723	1,439	349
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-		450	-	-	450	408	371	291
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-		48	-	-	48	2,336	849	587
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-		206	-	-	206	10	151	91
CAF Rail Australia Pty Ltd	Sydney	Building, manufacturing and maintenance	100%	-		74	-	-	74	582	929	359
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-		120	-	-	120	-	1	-
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-		108	-	-	108	2,627	1,759	1,143
CAF Systeme Ferroviare, S.R.L.	Bucarest	Manufacturing and maint.	100%	-		-	-	-	-	123	25	13
CAFTurk Tren Sanayi Ve Ticaret Limited Sirketi	Istanbul	Manufacturing and maint.	99.96%	0.04%	(3)	3,365	(420)	(1,857)	3,367	(2,070)	(98)	142
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-		54,283	-	1,037 (9)	54,283	4,949	1,291	208
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-		2,500	-	-	2,500	1,081	74	26
Ferrocarril Interurbano S.A. de C.V.	Mexico D.F.	Manufacturing and equip.	17.20%	32.43%	(10)	68	-	-	385	1,116	53	144
Metro CAF (Mauritius) Ltd.	Mauricio	Building, manufacturing and maintenance	100%	-		1	-	-	1	132	780	953
Tradinsa Industrial, S.L.	Lleida	Reparation y maint.	82.34%	17.66%	(4)	3,215	(635)	(635)	3,850	70	(816)	(788)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-		78	(49)	(62)	71	(71)	41	9
Trenes de Navarra, S.A.U.	Navarra	Manufacturing	100%	-		22,170	(2,675)	(15,459)	8,470	916	(2,441)	(2,675)
BWB Holdings Limited (2) (11)	Nottingham	Engineering	100%	-		18,434	438	(2,321)	229	13,373	(606)	(798)
CAF I+D, S.L.U.	Gipuzkoa	R&D	100%	-		5,734	-	-	4,705	6,453	71	(13)
CAF Power & Automation, S.L.U.	Gipuzkoa	Electronic and power	100%	-		19,093	-	-	6,090	11,802	668	(160)
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-		49,562	(14,981)	(39,897)	13,300	11,697	(10,485)	(15,371)
CAF Turnkey & Engineering, S.L.U. (2)	Bizkaia	Engineering	100%	-		13,720	-	-	5,703	11,832	10,854	10,340
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45	(3)	5,650	-	-	9,650	2,356	836	1,632
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-		172	-	-	150	1,148	471	346

Name	Location	Line of business	Percentage of ownership		Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect				Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2020
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,223	787	595
Sermanfer, S.A.U.(2)	Madrid	Maintenance	100%	-	301	-	-	301	1,361	696	284
CAF Investment Projects, S.A.U. (2)	Gipuzkoa	Business Promotion	100%	-	227,608	-	-	47,917	163,209	81,286	37,676
Transjerusalem J-Net Ltd.	Petach Tikva	Lease services	50%	-	-	-	-	-	-	246	(56)
CAF Israel Rails Ltd.	Tel Aviv	Building, manufacturing and maintenance	100%	-	-	-	-	-	-	(95)	(95)
CAF Diversified Business Development, S.A.U. (2)	Gipuzkoa	Holding Company	100%	-	176,437	(21,340)	(82,711) (7)	12,000	56,629	(1,631)	(1,092)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	México D.F.	Transportation	28.05%	15.30% (5)	60,925	-	(60,925)	16,301	(16,025)	(11,993)	(59,086)
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	4,683	2,078	1,510
Consortio Traza, S.A. (2)(6)	Zaragoza	Holding Company	25%	-	15,709	(15,709)	(15,709)	575	17,767	(658)	(27,966)
EuroMaint Gruppen AB (2)	Solna	Maintenance	100%	-	50,829	-	-	10	53,810	(3,626)	(4,375)
CAF Group UK Limited (2)	Coventry	Holding Company	100%	-	37,415	(1,087)	(1,087)	37,415	(769)	(340)	(318)
Rifer SRL	Milán	Component Maintenance	100%	-	4,713	(1,190)	(1,348)	20	3,463	81	(192)
Solaris Bus & Coach, sp. z.o.o.(2)	Bolechow	Transportation	72.34%	24.99% (8)	244,679	-	-	37,166	194,034	41,076	21,630
Other investments					1,255	-	-				
					<b>1,048,656</b>	<b>(59,927)</b>	<b>(232,902)</b>				

- 1) After adjustments and unifying entries for consolidation purposes and considering unspoken capital gains on the purchasing date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation Differences - Reserves" and "Valuation Adjustments - Reserves".
- 2) Head of a group of companies. The information on reserves and accumulated profits or losses, profit or loss from operations and profit or loss for 2020 is presented at sub-consolidated level. The information on the companies that form part of the CAF Group is presented in the consolidated financial statements.
- 3) Through CAF Diversified Business Development, S.A.U.
- 4) Through Sermanfer, S.A.
- 5) Through CAF Investment Projects, S.A.U.
- 6) Consortio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.
- 7) Includes a provision of EUR 3,114 thousand relating to the impact of derivatives related to net investments in foreign operations.
- 8) Through Openaco Trading Co. Limited
- 9) Including a balance receivable of EUR 1,037 thousand, relating to the impact of derivatives related to net investments in foreign operations.
- 10) Through CAF Turnkey & Engineering, S.L.U., CAF México S.A. de C.V. and CAF Signalling, S.L.U.
- 11) Considering the options described in Note 14 to these financial statements.

2019

Name	Location	Line of business	Percentage of ownership			Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect					Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2019
CAF Arabia Company	Riyadh	Manufacturing and maint.	95%	5%	(3)	301	-	-	316	3,508	1,947	1,294
CAF Argelia (EURL)	Argel	Manufacturing and maint.	100%	-		2,171	262	-	2,171	(251)	904	769
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	Buenos Aires	Reparation y maint.	97.61%	2.39%	(3)	4,017	(132)	(3,672)	2	308	93	43
CAF Belgium, S.P.R.L.	Brussels	Manufacturing and maint.	98.3%	1.7%	(3)	521	-	-	530	4	134	94
CAF Brasil Indústria e Comércio, S.A.(2)	Sao Paulo	Manufacturing and maint.	0.97%	99.03%	(3)	2,765	(152)	(1,990)	210,558	(112,526)	(51,167)	(52,064)
CAF Chile, S.A.	S. de Chile	Manufacturing and maint.	99%	1%	(3)	1	-	-	1	1,574	1,844	1,391
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	Medellín	Manufacturing and maint.	100%	-		456	(67)	(67)	36	520	(120)	(167)
CAF Deutschland GmbH	Munich	Manufacturing and maint.	100%	-		25	-	-	25	192	108	64
CAF Digital & Design Solutions, S.A.U.	Jaén	Manufacturing and engine.	100%	-		5,262	(158)	(3,920)	1,521	(222)	69	43
CAF Hungary Kft	Budapest	Manufacturing and maint.	100%	-		160	-	-	24	212	57	36
CAF India Private Limited	Delhi	Manufacturing and maint.	3.11%	96.89%	(3)	110	-	-	3,917	4,509	105	1
CAF Italia, S.R.L.	Roma	Reparation y maint.	100%	-		5,600	-	-	100	6,805	(6,090)	(3,004)
CAF México, S.A. de C.V.(2)	México D.F.	Manufacturing and maint.	99.94%	0.06%	(3)	6,755	-	-	6,773	6,621	1,896	(1,617)
CAF Netherlands, B.V.	Utrecht	Manufacturing and maint.	100%	-		450	-	-	450	177	289	231
CAF New Zealand Limited	Auckland	Manufacturing and maint.	100%	-		48	-	-	48	1,785	799	578
CAF Norway AS	Oslo	Manufacturing and maint.	100%	-		206	-	-	206	(3)	30	23
CAF Rail Australia Pty Ltd	Sydney	Building, manufacturing and maintenance	100%	-		74	-	-	74	60	1,039	503
CAF Rail Luxembourg, S.À R.L.	Luxemburg	Manufacturing and maint.	100%	-		120	-	-	120	-	-	-
CAF Rail UK Limited	Belfast	Manufacturing and maint.	100%	-		108	-	-	108	1,907	1,531	891
CAF Sisteime Feroviare, S.R.L.	Bucarest	Manufacturing and maint.	100%	-		-	-	-	-	117	22	9
CAFTurk Tren Sanayi Ve Ticaret Limited Sirketi	Istanbul	Manufacturing and maint.	99.96%	0.04%	(3)	3,365	(247)	(1,437)	3,367	(2,291)	776	709
CAF USA, Inc.	Delaware	Manufacturing and maint.	100%	-		54,283	-	1,192	(9)	54,283	8,927	4,104
Construcciones Ferroviarias de Madrid, S.L.U.	Madrid	Maintenance	100%	-		2,500	-	-	2,500	843	343	238
Ferrocarril Interurbano S.A. de C.V.	Mexico D.F.	Manufacturing and equip.	17.20%	32.43%	(10)	68	-	-	385	960	90	377
Metro CAF (Mauritius) Ltd.	Mauricio	Building, manufacturing and maintenance	100%	-		1	-	-	1	11	254	213
Tradinsa Industrial, S.L.	Lleida	Reparation y maint.	82.34%	17.66%	(4)	3,215	-	-	3,850	747	(656)	(677)
Trenes CAF Venezuela, C.A.	Caracas	Manufacturing and maint.	100%	-		78	5	(13)	71	(14)	(55)	(54)
Trenes de Navarra, S.A.U.	Navarra	Manufacturing	100%	-		22,170	(839)	(12,784)	8,470	1,233	16	(317)
BWB Holdings Limited (2) (12)	Nottingham	Engineering	100%	-		18,434	(2,759)	(2,759)	228	18,698	(4,404)	(4,563)
CAF I+D, S.L.U.	Gipuzkoa	I+D	100%	-		5,734	-	-	4,705	6,821	(308)	(368)
CAF Power & Automation, S.L.U. (2)	Gipuzkoa	Electronic and power	100%	-		21,363	-	-	6,090	12,634	4,576	3,411
CAF Signalling, S.L.U. (2)	Gipuzkoa	Signalling	100%	-		41,062	(3,135)	(24,916)	13,200	6,722	(1,352)	(3,829)
CAF Turnkey & Engineering, S.L.U. (2)	Bizkaia	Engineering	100%	-		13,720	-	-	5,703	15,206	6,829	5,708
Centro de Ensayos y Análisis Cetest, S.L.	Gipuzkoa	Tests	58.55%	41.45%	(3)	5,650	-	-	9,650	1,943	559	413
Geminys, S.L.	Gipuzkoa	Operating manuals	100%	-		172	-	-	150	1,809	1,116	839

Name	Location	Line of business	Percentage of ownership		Cost	Impairment recognised during the period	Accumulated impairment	Basic financial data (1)			
			Direct	Indirect				Share capital	Reserves and accumulated profits or losses	Profit (Loss) from operations	Profit (Loss) for 2019
Actren Mantenimiento Ferroviario, S.A.	Madrid	Maintenance	51%	-	1,530	-	-	3,000	1,198	1,671	1,309
Sermanfer, S.A.U.(2)	Madrid	Maintenance	100%	-	301	-	-	301	1,991	261	20
CAF Investment Projects, S.A.U (2)	Gipuzkoa	Business Promotion	100%	-	229,839	-	-	47,917	190,465	95,758	45,547
CAF Diversified Business Development, S.A.U. (2)	Gipuzkoa	Holding Company	100%	-	174,206	(30,901)	(61,371) (7)	12,000	114,284	(48,922)	(47,639)
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	México D.F.	Transportation	28.05%	15.30%	60,925	-	(60,925)	16,301	(16,301)	8,528	-
Rail Line Components, S.L.U.	Gipuzkoa	Marketing	100%	-	60	-	-	60	5,574	2,789	2,109
Consorcio Traza, S.A. (2) (6)	Zaragoza	Holding Company	25%	-	15,709	-	-	575	19,461	2,588	(2,975)
EuroMaint Gruppen AB (2) (11)	Solna	Maintenance	100%	-	50,829	-	-	10	52,272	1,098	(567)
CAF Group UK Limited (2)	Coventry	Holding Company	100%	-	37,415	182	-	37,415	266	1,599	1,039
Rifer SRL (12)	Milán	Component Maintenance	100%	-	4,713	212	(158)	20	3,844	(16)	(381)
Solaris Bus & Coach, S.A.(2)	Bolechow	Transportation	71.03%	26.17%	233,179	-	-	35,575	202,398	13,779	(2,496)
Other investments					1,255	-	-				
					1,030,926	(37,729)	(172,820)				

- 1) After adjustments and unifying entries for consolidation purposes and considering unspoken capital gains on the purchasing date. The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which means that any translation gains or losses and valuation adjustments on hedges are recognised under "Translation Differences - Reserves" and "Valuation Adjustments - Reserves".
- 2) Head of a group of companies. The information on reserves and accumulated profits or losses, profit or loss from operations and profit or loss for 2019 is presented at sub-consolidated level. The information on the companies that form part of the CAF Group is presented in the consolidated financial statements.
- 3) Through CAF Diversified Business Development, S.A.U.
- 4) Through Sermanfer, S.A.
- 5) Through CAF Investment Projects, S.A.U.
- 6) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.
- 7) Includes a provision of EUR 3,114 thousand relating to the impact of derivatives related to net investments in foreign operations.
- 8) Through Openaco Trading Co. Limited
- 9) Including a balance receivable of EUR 1,192 thousand, relating to the impact of derivatives related to net investments in foreign operations.
- 10) Through CAF Turnkey & Engineering, S.L.U., CAF México S.A. de C.V. and CAF Signalling, S.L.U.
- 11) Profit or loss since the obtaining of control of these companies by the Group in 2019.
- 12) Considering the options described in Note 14 to these financial statements.



During the year 2020, the investee CAF Investment Projects, S.A.U. has carried out a cross-purchase transaction and now holds 100% of the shareholding in Nuevas Estrategias de Mantenimiento, S.L. Following this transaction, NEM has been extinguished by merging with CAF Rail Digital Services, S.L.U. This corporate transaction led to a reduction of EUR 2,231 thousand in the cost of the ownership interest in CAF Investment Projects, S.A.U. and an increase in the cost of the ownership interest for the aforementioned amount in CAF Diversified Business Development, S.A.U.

Capital was increased at the investee Solaris Bus & Coach sp. z.o.o. through the conversion into capital of a loan amounting to EUR 11,500 thousand, with the Company's ownership interest therein (direct and indirect) increasing from 97.20% to 97.33%. Capital was also increased by EUR 100 thousand at the investee CAF Signalling, S.L.U., with a share premium of EUR 8,400 thousand.

In addition, the Company has a 50% interest in TransJerusalem J-Net Ltd. recently incorporated, and there is a commitment to make a future contribution, as a capital contribution or subordinated loan, to be made in 2027 for approximately 19 million euros, which is guaranteed by financial institutions (Note 22). 19 million, which is guaranteed by financial institutions (Note 22). Part of this contribution will be made in Israeli shekels and is hedged against the exchange rate exposure at year-end (Note 15). Finally, the Company also has a 50% interest in the newly incorporated company, Light TLV NTA Ltd. Capital contributions were not made to these companies.

Also, having performed the requisite recoverability analysis, impairment losses of EUR 21,340 thousand were recognised in relation to the investee CAF Diversified Business Development, S.A.U., mainly, as a result of the changes in the exchange rate of the Brazilian real and the negative impact thereof on the investee's equity, since a 99.03% interest was held in the share capital of CAF Brasil Indústria e Comércio, S.A. (in 2019 impairment losses of EUR 30,901 thousand were recognised due to the administrative decision made by the Brazilian Administrative Council for Economic Defence (CADE), ordering the subsidiary CAF Brasil Indústria e Comércio, S.A. to pay a fine (see Note 22).

Also, impairment losses of EUR 15,709 thousand were recognised at the investee Consorcio Traza, S.A., as a result of uncertainties in relation to compliance with the company's financial model, due to the decrease in passengers caused by COVID-19. Lastly, impairment losses of EUR 14,981 thousand were recognised at the investee CAF Signalling, S.L.U. due to accumulated losses for the year.

CAF Power & Automation, S.L.U. distributed dividends amounting to EUR 5,000 thousand, of which EUR 2,269 thousand were recognised with a credit to the ownership interest and EUR 2,731 thousand were recognised with a credit to "Finance Income" in the accompanying statement of profit or loss (see Note 10).

The main acquisition in 2019 related to the purchase of 100% of the Swedish group EuroMaint Gruppen AB in July. This group mainly engages in rolling stock maintenance. The amount paid was EUR 50,829 thousand.

In 2019 two corporate restructuring transactions were carried out within the Group.

The first transaction consisted of the merger of Ennera Energy and Mobility S.L. (absorbed company) and CAF Turnkey & Engineering S.L.U. (absorbing company). As a preliminary step for this transaction, Construcciones y Auxiliar de Ferrocarriles S.A. purchased from CAF Diversified Business Development S.A.U. 56.97% of the shares of Ennera Energy and Mobility S.L. for EUR 1,885 thousand. As it was a merger of Group companies, the carrying amounts expressed in the consolidated financial statements, which do not differ from those that would have been obtained through the application of the Rules for the Preparation of Consolidated Financial Statements at 1 January 2019, were used. This corporate transaction resulted in a reduction of EUR 3,277 thousand of the carrying amount of the ownership interest in Ennera Energy and Mobility, S.L. and an increase of EUR 4,019 thousand in the cost of the ownership interest at CAF Turnkey & Engineering, S.L.U. The net effect of this transaction was recognised with a credit of EUR 742 thousand to "Reserves" in the accompanying balance sheet (see Note 13).

The second transaction was the downstream merger by absorption of Solaris Bus Ibérica S.L.U. (absorbed company) by Vectia Mobility S.L. (absorbing company). This same transaction included the modification of the name of Vectia Mobility S.L., which subsequently became Solaris Bus Ibérica S.L.U. as the resulting company. For the transaction, the Group acquired from a third party 30% of Vectia Mobility, S.L. and of Vectia Mobility Research & Development, A.I.E. for a total amount of EUR 7,050 thousand, which was recognised with a charge to "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying statement of profit or loss. Subsequently, the downstream merger of Solaris Bus Ibérica, S.L.U. (absorbed company) and Vectia Mobility, S.L. (absorbing company) was performed in July 2019. The Solaris subgroup restructuring process included a capital increase subscribed by a third party, which consequently held 2.8% of the Solaris Bus & Coach, S.A. Group.

Also, various capital increases were performed at CAF Belgium, S.P.R.L., CAF Signalling S.L.U., CAF Diversified Business Development S.A.U. and Trenes CAF Venezuela C.A. for EUR 350 thousand, EUR 6,000 thousand, EUR 21,000 thousand and EUR 53 thousand, respectively, and a loan of EUR 5,500 thousand was converted into capital at CAF Italia, S.R.L.

CAF Norway AS and CAF Rail Luxembourg, S.À R.L. were incorporated in 2019 with equity of EUR 206 thousand and EUR 120 thousand, respectively.

In 2019, the investee Consorcio Traza, S.A. distributed dividends amounting to EUR 650 thousand, of which EUR 319 thousand were recognized with credit to the ownership interest, since they correspond to profits earned prior to the acquisition, and EUR 331 thousand were recognized with a credit to "Finance Income" in the accompanying statement of profit or loss (see Note 10).

## 10. Balances and transactions with related parties

The detail of the transactions with related parties (in addition to those specified in Notes 8 and 22) in 2020 and 2019 is as follows:

### 2020

Company	Thousands of euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
CAF USA, Inc.	957	7,841	28,721	-	-
CAF México, S.A. de C.V.	2,236	17,605	40,879	-	-
CAF Brasil Indústria e Comércio, S.A.	-	1,050	162	-	-
CAF Rail UK Limited	64	3,260	7,507	-	-
CAF Italia, S.R.L.	360	1,660	11,645	-	-
CAF Chile, S.A.	-	980	-	1,090	-
CAFTurk Tren Sanayí Ve Tícaret Límitéd Síirketí	-	2,034	999	-	-
CAF Argelia (EURL)	-	34	-	-	-
CAF India Private Limited	-	-	1,524	-	-
Trenes de Navarra, S.A.U.	189	(7)	5,761	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	4,712	-	-
CAF Digital & Design Solutions, S.A.U.	12	(1,363)	4,605	-	-
Tradinsa Industrial, S.L.	213	660	8,104	-	-
CAF Rail Australia, Pty Ltd	310	14,467	5,328	-	-
CAF Arabia Company	-	6,499	156	-	-
CAF New Zealand Limited	-	4,804	634	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	1,339	509	-	-
CAF Systeme Ferroviare, S.R.L.	4	-	381	-	-
CAF Deutschland GmbH	1	-	1,832	-	-
CAF Taiwan Ltd.	57	(838)	-	-	-
CAF Hungary Kft	8	20	1,465	-	-
CAF France, SAS	270	(1,658)	1,392	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	(360)	2	-	-
CAF Netherlands B.V.	-	-	6,766	-	-
CAF Rolling Stock UK Limited	-	16,790	84,976	-	-
Metro CAF (Mauritius) Ltd.	-	495	7	-	-
CAF Belgium, S.P.R.L.	23	-	1,824	-	-
CAF Norway AS	9	-	2,246	-	-
CAF Israel Rails Ltd.	39	-	15,802	-	-
Transjerusalem J-NET Ltd.	-	15,799	-	-	-
CAF I+D, S.L.U.	-	3,454	8,282	-	-
CAF Power & Automation, S.L.U. (**)	-	395	57,312	2,731	-
CAF Turnkey & Engineering, S.L.U.	-	42	20,442	7,000	-
Centro de Ensayos y Análisis Cetest, S.L.	-	448	3,763	-	-
Lander Simulation and Training Solutions, S.A.	-	-	2,965	-	-
Geminys, S.L.	-	-	3,679	1,500	-
CAF Signalling, S.L.U.	84	7	28,243	-	-
BWB Holdings Limited	206	-	-	-	-
Solaris Bus & Coach, sp. zoo	144	609	15	-	-
Actren Mantenimiento Ferroviario, S.A.	-	10,849	683	655	-
Sermanfer, S.A.U.	-	-	5,489	600	-
CAF Investment Projects, S.A.U.	2,281	-	-	36,931	-
Rail Line Components, S.L.U.	-	3,583	4,276	3,000	-
Plan Metro, S.A.	-	12,972	-	-	-
Ctrens - Companhia de Manutenção, S.A.	-	1,625	-	38	-
CAF Group UK Limited	24	-	123	-	-
CAF Diversified Business Development, S.A.U.	40	-	-	-	-
Rifer SRL	-	-	342	-	-
EuroMaint Gruppen AB	1,488	-	-	-	-
EuroMaint Rail AB	-	720	29	-	-
EuroMaint Components & Matetials AB	-	126	42	-	-
EuroMaint Rail AS	-	-	133	-	-
CAF Track Test Center, S.L.U.	537	-	4,076	-	-
Openaco Trading	2	-	-	-	-
CAF Engineered Modernizations, S.L.U.	-	-	1,908	-	-
Momentum Trains Holdings Pty Ltd.	-	101,424	-	-	-
CAF Rail Digital Services	-	-	2,288	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	154	-	-	88
<b>Total</b>	<b>9,558</b>	<b>227,519</b>	<b>382,029</b>	<b>53,545</b>	<b>88</b>

(\*) These transactions are carried out on an arm's length basis.

(\*\*) The dividends received amounted to EUR 5,000 thousand, and EUR 2,269 thousand were recognised with a credit to "Non-Current Investments in Group Companies and Associates" (see Note 9).

2019

Company	Thousands of euros (*)				
	Finance income	Services provided or sales recognised	Services received or purchases recognised	Dividends received	Finance costs
CAF USA, Inc.	2,012	16,601	36,062	-	-
CAF México, S.A. de C.V.	5,400	1,935	6,369	-	-
CAF Brasil Indústria e Comércio, S.A.	-	3,811	1,469	-	-
CAF Rail UK Limited	182	2,777	5,722	-	-
CAF Italia, S.R.L.	188	313	9,858	-	-
CAF Chile, S.A.	-	1,227	-	1,244	3
CAFTurk Tren Sanayí Ve Ticaret Limited Şirketi	-	838	1,767	-	-
CAF Argelia (EURL)	-	937	-	-	-
CAF India Private Limited	-	-	1,293	-	-
Trenes de Navarra, S.A.U.	128	7	8,210	-	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	5	5,680	-	-
CAF Digital & Design Solutions, S.A.U.	12	5,758	4,827	-	-
Tradinsa Industrial, S.L.	204	387	10,210	-	-
CAF Rail Australia, Pty Ltd	254	8,074	1,800	-	-
Trenes CAF Venezuela, C.A.	-	-	-	-	-
CAF Arabia Company	190	8,345	1,044	-	-
CAF New Zealand Limited	-	3,166	37	-	-
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	-	36	(154)	-	-
CAF Systeme Feroviare, S.R.L.	3	-	592	-	-
CAF Deutschland GmbH	-	-	1,790	-	-
CAF Taiwan Ltd.	15	(1,387)	-	-	-
CAF Hungary Kft	7	70	1,506	-	-
CAF France, SAS	134	(2,075)	8,410	-	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	231	52	-	-
CAF Netherlands B.V.	-	-	5,348	-	-
CAF Rolling Stock UK Limited	-	2,199	66,580	-	-
Metro CAF (Mauritius) Ltd.	-	311	-	-	1
CAF Belgium, S.P.R.L.	-	15	625	-	-
CAF Norway AS	-	80	-	-	-
CAF I+D, S.L.U.	-	426	5,889	-	4
CAF Power & Automation, S.L.U.	12	16,727	77,561	-	-
Nuevas Estrategias de Mantenimiento, S.L. (NEM, S.L.)	-	-	1,390	-	-
CAF Turnkey & Engineering, S.L.U.	70	20	26,221	-	-
Centro de Ensayos y Análisis Cetest, S.L.	-	364	6,690	-	-
Lander Simulation and Training Solutions, S.A.	-	-	3,149	-	1
Geminys, S.L.	-	-	3,351	-	-
CAF Signalling, S.L.U.	157	2	24,025	-	-
Solaris Bus Ibérica S.L.U.	637	-	70	-	-
Vectia Mobility Research & Development, A.I.E.	-	-	194	-	-
BWB Holdings Limited	259	-	-	-	-
Solaris Bus & Coach, S.A.	270	699	51	-	-
Actren Mantenimiento Ferroviario, S.A.	-	18,636	1,978	1,158	-
Sermanfer, S.A.U.	-	-	5,314	-	-
CAF Investment Projects, S.A.U.	4,706	-	9	25,000	-
Rail Line Components, S.L.U.	-	422	7,927	850	-
Plan Metro, S.A.	-	13,331	4	-	-
Ctrens - Companhia de Manutenção, S.A.	-	2,043	-	203	-
CAF Group UK Limited	61	-	161	-	-
CAF Diversified Business Development, S.A.U.	15	-	-	-	-
Rifer SRL	-	-	515	99	-
Consortio Traza, S.A. (**)	-	-	-	331	-
EuroMaint Gruppen AB	812	-	34	-	-
CAF Track Test Center, S.L.U.	-	27	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	127	-	-
CAF Engineered Modernizations, S.L.U.	-	-	117	-	-
Momentum Trains Holdings Pty Ltd.	-	34,506	-	-	-
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	196	-	-	116
<b>Total</b>	<b>15,728</b>	<b>141,060</b>	<b>343,874</b>	<b>28,885</b>	<b>125</b>

(\*) These transactions are carried out on an arm's length basis.

(\*\*) The dividends received amounted to EUR 650 thousand, and EUR 319 thousand were recognised with a credit to "Non-Current Investments in Group Companies and Associates" (see Note 9).

As a result of these transactions, of those performed in previous years, the stage of completion of the projects contracted, the loans granted, the taxation under the consolidated tax regime (see Note 16) and the advances granted, the Company's balances with Group companies, associates and related parties at 31 December 2020 and 2019, were as follows:

## 2020

	Thousands of euros						
	Non-current loans (Note 9)	Current investments in Group companies and associates (Note 16)	Trade receivables from Group companies and associates (Note 12)	Stage of completion net billings (*) (Note 12)	Advances to suppliers (Note 11)	Payable to suppliers, Group companies and associates	Current payables to Group companies and associates (**)(Note 16)
CAF USA, Inc.	-	1,169	4,104	9,392	-	5,314	-
CAF México, S.A. de C.V.	-	28,917	15,326	8,828	-	7,237	-
CAF Brasil Indústria e Comércio, S.A.	-	-	256	(677)	-	10	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	302	(129)	-	18	-
CAF Rail UK Limited	-	87	1,412	1,421	-	2,355	-
CAF Italia, S.R.L.	-	6,440	16	800	-	3,374	-
CAF Chile, S.A.	-	-	415	(1,082)	-	-	1,500
CAFTurk Tren Sanayi Ve Ticaret Limited Sirketi	-	-	194	-	-	145	-
CAF Argelia (EURL)	-	-	(7)	-	427	671	-
Trenes CAF Venezuela C.A.	-	-	-	-	-	(8)	-
CAF India Private Limited	-	-	66	-	-	304	-
Trenes de Navarra, S.A.U.	3,498	62	(61)	-	-	438	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	-	-	280	714	868
CAF Digital & Design Solutions, S.A.U.	-	162	1	9,985	-	950	-
Tradinsa Industrial, S.L.	-	2,293	523	-	326	1,142	-
CAF Rail Australia Pty Ltd	-	22,796	1,643	11,398	-	1,079	-
CAF New Zealand Limited	-	798	818	(4,422)	-	123	396
CAF Arabia Company	-	-	5,239	878	-	156	-
CAF Systeme Ferroviare, S.R.L.	-	109	-	-	-	36	-
CAF Deutschland, GmbH	-	-	-	-	-	326	74
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	1,696	16	-	615	-
CAF Taiwan Ltd	-	14	2,433	1	-	-	-
CAF France, SAS	-	9,929	36	1,739	14,000	355	-
CAF Hungary Kft	-	202	15	-	-	387	-
CAF Netherlands B.V.	-	20	-	-	-	1,353	303
CAF Belgium, S.P.R.L.	-	1,813	2	-	-	620	-
Metro CAF (Mauritius) Ltd.	-	85	476	-	-	7	2,350
CAF Norway AS	-	-	-	-	-	430	-
Momentum Trains Holding Pty Ltd.	-	-	-	36,591	-	1	-
CAF Israel Rails Ltd.	-	12	-	-	-	13,767	-
TransJerusalem J-Net Ltd.	-	-	-	(56,526)	-	-	-
CAF Rail Luxembourg	-	-	-	-	-	-	109
CAF Rolling Stock UK Limited	-	76	1,961	-	-	9,173	-
CAF I+D, S.L.U.	-	143	255	-	-	1,740	10,877
CAF Power & Automation, S.L.U.	-	1,099	440	-	34,282	18,829	20,807
CAF Turnkey & Engineering, S.L.U.	-	5,382	39	-	-	3,893	13,323
CAF Rail Digital Services	-	213	-	-	(173)	1,050	384
Centro de Ensayos y Analisis Cetest, S.L.	-	442	178	-	8	458	10,995
Lander Simulation and Training Solutions, S.A.	-	-	-	-	516	1,249	2,141
Geminys, S.L.	-	359	-	-	-	1,508	1,813
CAF Signalling, S.L.U.	-	8,808	67	-	1,468	15,319	11,021
BWB Holdings Limited	-	27	-	-	-	-	-
Solaris Bus & Coach sp. zoo	-	-	291	-	-	-	-
Openaco Trading Co. Ltd.	-	48	-	-	-	-	-
Actren Mantenimiento Ferroviario, S.A.	-	-	2,081	702	-	453	-
Sermanfer, S.A.U.	-	-	-	-	-	626	860
CAF Investments Projects, S.A.U.	72,954	176	21	-	-	-	1,651
Rail Line Components, S.L.U.	-	428	179	-	(14)	2,257	3,529
Plan Metro, S.A.	-	-	-	1,210	-	-	-
Ctrens - Companhia de Manutenção, S.A.	35	-	218	-	-	-	-
CAF Group UK Limited	-	-	-	-	-	-	5,562
CAF Diversified Business Development, S.A.U.	-	1,207	-	-	-	-	782
Rifer SRL	-	-	-	-	-	101	-
SEM Tranvías de Zaragoza	-	-	8	-	-	-	-
EuroMaint Gruppen AB	35,966	389	-	-	-	-	-
EuroMaint Rail AB	-	-	80	635	-	271	-
EuroMaint Components & Materials AB	-	-	50	-	-	42	-
EuroMaint Rail AS	-	-	-	-	-	133	-
CAF Track Test Center, S.L.U.	-	5,254	-	-	-	(52)	-
CAF Engineered Modernizations, S.L.U.	-	7	-	-	-	104	482
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	-	744	259	-	-	2,515
<b>Total</b>	<b>112,453</b>	<b>98,966</b>	<b>41,517</b>	<b>21,019</b>	<b>51,120</b>	<b>87,176</b>	<b>92,342</b>

(\*) The stage of completion net billings at 31 December 2020 included EUR 98,580 thousand in deferred billings (asset) (see Note 12) and EUR 77,561 thousand in prebillings (liability).

(\*\*) The Company registers EUR 7,128 thousand under "Debts with group companies and long term associates".

## 2019

	Thousands of euros						
	Non-current loans (Note 9)	Current investments in Group companies and associates (Note 16)	Trade receivables from Group companies and associates (Note 12)	Stage of completion net billings (*) (Note 12)	Advances to suppliers (Note 11)	Payable to suppliers, Group companies and associates	Current payables to Group companies and associates (**) (Note 16)
CAF USA, Inc.	-	23,139	605	7,821	-	11,360	-
CAF México, S.A. de C.V.	-	54,393	44,632	27,750	-	1,698	-
CAF Brasil Indústria e Comércio, S.A.	-	-	400	(383)	-	450	-
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	-	-	302	230	-	9	-
CAF Rail UK Limited	-	8,291	1,426	212	-	2,252	-
CAF Italia, S.R.L.	-	3,784	264	-	-	3,740	543
CAF Chile, S.A.	-	-	1,055	(1,312)	-	2	650
CAFTurk Tren Sanayi Ve Ticaret Limited Sirketi	-	-	122	-	-	271	-
CAF Argelia (EURL)	-	-	480	-	-	757	-
Trenes CAF Venezuela C.A.	-	-	-	-	-	3	-
CAF India Private Limited	-	-	-	-	-	336	-
Trenes de Navarra, S.A.U.	-	3,376	-	-	-	1,932	-
Construcciones Ferroviarias de Madrid, S.L.U.	-	-	-	-	154	1,157	206
CAF Digital & Design Solutions, S.A.U.	-	4	1,290	21,069	-	1,866	62
Tradinsa Industrial, S.L.	-	5,374	189	-	2,451	2,624	-
CAF Rail Australia Pty Ltd	-	-	405	1,161	-	1,192	-
CAF New Zealand Limited	-	247	862	(5,557)	-	82	-
CAF Arabia Company	-	6	5,217	1,345	-	585	-
CAF Systeme Ferroviare, S.R.L.	-	107	-	-	-	115	-
CAF Deutschland, GmbH	-	175	-	-	-	338	159
Constr. y Aux. de Ferrocarriles CAF Colombia, S.A.S.	-	-	248	-	-	30	-
CAF Taiwan Ltd	-	1,029	2,485	(709)	-	9	-
CAF France, SAS	-	5,686	1,941	3,796	8,000	(990)	2,245
CAF Hungary Kft	-	202	2	-	-	207	-
CAF Netherlands B.V.	-	-	158	-	-	1,029	286
Solaris Bus & Coach, S.A.	-	11,794	700	-	-	7	-
CAF Belgium, S.P.R.L.	-	648	21	-	-	297	-
Metro CAF (Mauritius) Ltd.	-	-	172	149	-	-	550
CAF Norway AS	-	-	80	-	-	502	-
Momentum Trains Holding Pty Ltd.	-	-	-	(37,823)	-	1	-
CAF Rolling Stock UK Limited	-	-	2,274	-	-	11,759	-
CAF I+D, S.L.U.	-	290	174	-	-	1,552	10,944
CAF Power & Automation, S.L.U.	-	641	5,827	-	25,995	23,750	24,475
Nuevas Estrategias de Mantenimiento, S.L.	-	53	-	-	(173)	232	-
CAF Turnkey & Engineering, S.L.U.	-	2,269	10	-	16	2,328	9,394
Centro de Ensayos y Análisis Cetest, S.L.	-	342	141	-	8	2,149	7,687
Lander Simulation and Training Solutions, S.A.	-	-	-	-	2,528	861	678
Geminys, S.L.	-	563	-	-	-	1,587	2,503
CAF Signalling, S.L.U.	6,951	4,072	23	-	2,152	5,463	8,133
BWB Holdings Limited	-	5,235	-	-	-	40	-
Solaris Bus Ibérica, S.L.U.	-	13	-	-	-	15	-
Vectia Mobility Research & Development, A.I.E.	-	-	-	-	-	19	-
Openaco Trading Co. Ltd.	-	30	-	-	-	-	-
Orbital Sistemas Aeroespaciales, S.L.	-	-	-	-	-	129	-
Actren Mantenimiento Ferroviario, S.A.	-	-	7,589	2,498	-	1,573	-
Sermanfer, S.A.U.	-	-	-	-	-	642	881
CAF Investments Projects, S.A.U.	87,794	864	21	-	-	-	226
Ennera Energy and Mobility, S.L.	-	-	-	-	-	-	-
Rail Line Components, S.L.U.	-	760	27	2,094	139	2,139	4,216
Plan Metro, S.A.	-	-	456	1,227	-	-	-
Ctrens - Companhia de Manutenção, S.A.	-	145	313	-	-	-	-
Provetren, S.A. de C.V.	-	-	-	-	-	-	-
CAF Group UK Limited	-	4,730	-	-	-	29	-
CAF Diversified Business Development, S.A.U.	-	14	-	-	-	-	2,270
Rifer SRL	-	-	-	-	-	149	-
EuroMaint Gruppen AB	34,546	373	-	-	-	34	-
CAF Track Test Center, S.L.U.	-	7,438	33	-	-	724	-
CAF Engineered Modernizations, S.L.U.	-	1	-	-	-	141	250
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	-	-	-	857	-	-	2,945
<b>Total</b>	<b>129,291</b>	<b>146,088</b>	<b>79,944</b>	<b>24,425</b>	<b>41,270</b>	<b>87,175</b>	<b>79,303</b>

(\*) The stage of completion net billings at 31 December 2019 included EUR 70,902 thousand in deferred billings (asset) (see Note 12) and EUR 46,477 thousand in prebillings (liability).

(\*\*) The Company registers EUR 7,128 thousand under "Debts with group companies and long term associates".

Under "Non-current investments in Group companies and associates – Non current loans", it is included a loan granted to CAF Investment Projects, S.A.U., with limit of EUR 500,000 thousand. The principal of the loan (without including not collected accrued interests), disposed at 31 December 2020, amounted to EUR 72,954 thousand (EUR 87,794 thousand at 31 December 2019). This loan has the objective to reinforce Group companies financially or acquiring new companies. The loan accrues a market interest rate and expires in 2024. In July 2019, a loan was granted to the Group new company Euromaint Gruppen AB with current debt of balance amounting to EUR 7,179 thousand (current EUR 6,951 thousand and non-current EUR 4,017 thousand of 31 December 2019) and a limit of SEK 375,000 thousand, that accrues a market interest rate and expires in 2022. This loan amounts to EUR 35,966 thousand at 31 of December 2020 (EUR 34,546 thousand at 31 December 2019).

Lastly, in 2019 an agreement was entered into with CAF Signalling, S.L.U. for the grant of subsidised borrowings for development projects that are being performed by the Company (see Note 6). At 31 December 2020 as a result of the financing received at Group level in relation to these projects, a current balances receivable amounting EUR 7,179 thousand (non-current balances receivable amounting EUR 6,951 thousand and current balances receivable amounting EUR 4,017 thousand at 31 December 2019) and non-current balances payable to this subsidiary, amounting to EUR 7,128 thousand, respectively, were recognised in this connection, with the recognised balance payable corresponding to the refundable borrowings obtained by CAF Signalling, S.L.U. for the aforementioned project (EUR 7,128 thousand of credit balance at 31 December 2019).

The other loans granted to and received from Group companies are governed by agreements that bear interest at market rates.

At 31 December 2020, the Company had recognised EUR 9,636 thousand and EUR 2,881 thousand under "Current Investments in Group Companies and Associates" and "Current Payables to Group Companies and Associates", respectively, with various companies belonging to the tax group for the estimated income tax and for the VAT returns (EUR 4,936 thousand receivable and EUR 2,861 thousand payable at 31 December 2019).

The accounts receivable and payable (basically trade receivables and payables) do not bear interest.

### **Joint Ventures**

The detail of the Company's interests in joint ventures, based on the form adopted thereby, at 31 December 2020 and 2019 is as follows:

#### **2020**

Name	Ownership interest	Jointly controlled assets (Thousands of euros)	Jointly controlled liabilities (Thousands of euros)
UTE CSM	61.79%	3,688	3,682
UTE Valencia	39.35%	456	450

#### **2019**

Name	Ownership interest	Jointly controlled assets (Thousands of euros)	Jointly controlled liabilities (Thousands of euros)
UTE CSM	61.79%	4,387	4,381
UTE Valencia	39.35%	458	452

## **11. Inventories and construction contracts**

The detail of "Inventories" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 19-b)	7,293	107,674
Advances to suppliers (Note 10)	80,920	57,490
<b>Total</b>	<b>88,213</b>	<b>165,164</b>

At 31 December 2020 and 2019, the Company had firm raw material purchase commitments amounting to approximately EUR 505,140 thousand and approximately EUR 436,352 thousand, respectively.

The Company takes out insurance policies to adequately insure its inventories. At 31 December 2020 and 2019, the insurance policies taken out covered the carrying amount of the inventories at those dates.

## Construction contracts

The detail of the cumulative amount of costs incurred and of profits recognised (less the related losses recognised) and the amount of advances received at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Deferred billings (asset) (Notes 3-g & 12)	706,595	683,105
Prebillings (liability) (Note 3-g)	(689,768)	(708,750)
<b>Net balance</b>	<b>16,827</b>	<b>(25,645)</b>
Costs incurred plus profits and losses recognised based on stage of completion	1,929,581	1,750,981
Billings made excluding advances	(1,222,986)	(1,067,876)
Advances received	(689,768)	(708,750)
<b>Net balance</b>	<b>16,827</b>	<b>(25,645)</b>

## 12. Trade and other receivables

At 31 December 2020 and 2019, the detail of "Trade and Other Receivables" was as follows:

	Thousands of euros	
	31/12/20	31/12/19
Trade receivables for sales and services (Note 11)	935,343	878,910
Trade receivables from Group companies and associates (Notes 10 & 11)	140,097	150,846
Sundry accounts receivable (Note 14)	2,389	2,799
Employee receivables	2,433	1,074
Other credits with public administrations (Note 16-a)	21,529	31,530
Current tax assets (Note 16-a)	1,650	1,820
<b>Total</b>	<b>1,103,441</b>	<b>1,066,979</b>

Classes  Categories	Thousands of euros			
	Trade receivables from Group companies and associates		Trade receivables for sales and services	
	31/12/20	31/12/19	31/12/20	31/12/19
Trade receivables - in euros	37,845	95,806	670,093	662,739
Trade receivables - in foreign currency	102,252	55,040	265,250	216,171
<b>Total</b>	<b>140,097</b>	<b>150,846</b>	<b>935,343</b>	<b>878,910</b>

These accounts receivable include the deferred billing indicated in Note 11 amounting to EUR 706,595 thousand (2019: EUR 683,105 thousand). Deferred billings under "Trade Receivables from Group Companies and Associates" amounts to EUR 98,580 thousand (2019: EUR 70,902 thousand).

The Company has recorded at December 31, 2020 an amount of 39,764 thousand euros corresponding to pending collection invoiced and uninvoiced balances regarding contracts already executed after obtaining arbitration awards favorable to the Company and with subsequent favorable rulings.

At 31 December 2020 and 2019, the balances billed included EUR 58,601 thousand in relation to the agreement with Metro de Caracas, the balance of which is past due and relates to work performed and billed to the customer and the collection of which is considered to be covered by the insurance policy in force and through offset against liabilities to the customer, basically the provision described in Note 17.

The unincorporated temporary joint venture (Spanish UTE) CSM, as policyholder, has arranged a supplier credit policy with credit risk coverage for the Metro de Caracas Line 1 refurbishment project. The insureds under this policy are the venturers in the aforementioned unincorporated temporary joint venture, including CAF. At 31 December 2020, the maximum amount payable to CAF was EUR 59 million. At the date of preparation of these financial statements all the objective conditions necessary for filing a claim under the aforementioned insurance policy had been met, but no claims had been made at that date. The decision on whether to file claims lies within the remit of the governing bodies of UTE CSM. The terms and conditions of the credit insurance set the payment period for a potential indemnity payment at within six months.



In relation to the contract with Metro de Caracas, the Company's accounting policy was to recognise only revenue the collection of which was considered probable, considering as such revenue already collected, revenue insured under credit policies and revenue that can be offset against other liabilities to the customer.

At 31 December 2020 and 2019, the Company had balances billed to Metro de Caracas amounting to EUR 37 million (now past-due) which had not been recognised for accounting purposes since the performance of the related projects as there was uncertainty as to their collectability.

At 31 December 2020, 50.88% of the billed receivables related to the top five customers (31 December 2019: 64.44% ). "Trade Receivables for Sale and Services" includes retentions at 31 December 2020 amounting to EUR 4,051 thousand (31 December 2019: EUR 4,051 thousand).

The amount of the net past-due balances receivable from third parties at 31 December 2020 and 2019, additional to the past-due balances receivable from Metro de Caracas is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Past due > 90 days	3,948	8,260
Past due > 180 days	85,863	84,128
<b>Total</b>	<b>89,811</b>	<b>92,388</b>

57.98% of this balance is concentrated in two countries and three agreements in relation to which the Company is implementing active collection management measures, although no significant losses that had not been provisioned are expected.

On the basis of a case-by-case analysis of past-due balances, the Company considered that at 31 December 2020 there were balances that posed a collection risk totalling EUR 1,489 thousand (31 December 2019: EUR 1,028 thousand). These amounts had been provisioned and are presented as a reduction of the balance of "Trade Receivables for Sale and Services" in the accompanying balance sheet subsequent to the recognition of an endowment of EUR 461 thousand under "Other Operating Expenses" in the accompanying statement of profit or loss (2019: a reversal of EUR 105 thousand, see Note 19-e). Also, EUR 144 thousand were definitively provisioned for uncollectible trade receivables.

### **13. Equity and shareholders' equity**

#### **a) Share capital**

At 31 December 2020 and 2019, the Company's share capital was represented by 34,280,750 fully subscribed and paid shares of EUR 0.301 par value each, traded by the book-entry system, all of which are listed on the stock exchange.

The shareholder companies or entities that had notified the Spanish National Securities Market Commission (CNMV) that they held voting rights representing over 3% of the Company's share capital at 31 December 2020 and 2019 were as follows:

	% 2020	% 2019
Cartera Social, S.A. (i)	24.56%	24.87%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L.(iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	-
Norges Bank	3.26%	-
EDM Gestión, S.A. S.G.I.I.C. (v)	-	3.02%

- i. The shareholders of this company are employees of the Parent.
- ii. Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.
- iii. Indumenta Pueri, S.L. is the indirect holder. The direct holder is Global Portfolio Investments, S.L., a company controlled by Indumenta Pueri, S.L.
- iv. Daniel Bravo Andreu holds indirect ownership interest, although the indirect holder is Danimar 1990, S.L.
- v. EDM Gestión, S.A. S.G.I.I.C is the indirect holder. It controls the voting rights of various Group companies.

The Annual General Meeting held on 10 June 2017 resolved to empower the controlling Entity's Board of Directors, with express powers of delegation, for a period of five (5) years from that date, to issue debt instruments and fixed-income or other securities (including warrants) convertible into shares of the Company or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This decision rendered null and void the resolution adopted by the Company's Annual General Meeting held on 7 June 2014. At the date of preparation of these financial statements no convertible securities had been issued since that resolution.

On 2 June 2018, at the Annual General Meeting the Board of Directors was empowered to increase the share capital on one or more occasions, through the issuance of new shares against monetary contributions, over a period of five years and up to half of the amount of the share capital on the date of authorisation. At the date of preparation of these financial statements, no capital increase had been performed since that resolution.

Lastly, the Annual General Meeting held on 13 June 2020 resolved to empower the Board of Directors to acquire treasury shares for a period of five years from that date. This authorisation rendered null and void the authorisation granted in a resolution adopted by the shareholders at the Annual General Meeting held on 13 June 2015. At the date of preparation of these financial statements, no treasury shares had been acquired since that resolution.

#### **b) Share premium**

The share premium account balance has no specific restrictions on its use.

#### **c) Revaluation reserve**

The amount of these revaluations (see Notes 3-b and 7) at 31 December 2020 and 2019 is allocated to the following accounts:

	Thousands of euros	
	31/12/20	31/12/19
Revaluation reserve Gipuzkoa Decree 1/2013 (*)	25,170	25,170
Revaluation reserve Gipuzkoa Regulation 11/1996	8,701	8,701
<b>Total</b>	<b>33,871</b>	<b>33,871</b>

(\*) Net of the 5% tax paid in July 2013.

##### *Revaluation reserve Gipuzkoa Decree 1/2013*

The Company availed itself of the provisions of Gipuzkoa Decree 1/2013, of 5 February, on asset revaluation, and recognised a reserve amounting to EUR 25,170 thousand corresponding to the revalued amount of the assets (see Note 7), net of the related tax effect of 5% (see Note 16-e). The balance of the revaluation reserve under Gipuzkoa Decree 1/2013, of 5 February, is restricted until it is verified and accepted by the tax authorities, which should be performed within the three-year period following presentation of the tax return.

Once it has been verified by the tax authorities or the verification period has elapsed, the balance of this account may be used to offset losses, increase capital, or, after ten years have elapsed from the date of the balance sheet in which the revaluations were recognised, be allocated to unrestricted reserves. However, it may only be distributed when the revalued assets have been fully depreciated, transferred or derecognised.

##### *Revaluation reserve Gipuzkoa Regulation 11/1996*

This balance can be used to offset accounting losses and to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance were used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

#### **d) Productive investment reserve**

At 31 December 2020 and 2019, this reserve amounted to EUR 10,000 thousand and corresponded to the amount appropriated to it in the distribution of profit for the year ended 31 December 2013 pursuant to Article 39 of Gipuzkoa Regulation 7/96, of 4 July. Pursuant to the aforementioned regulation, the amount appropriated to this reserve must be invested in a period of two years from the end of the year the profit

for which was appropriated to the reserve, and must be maintained over at least the following five years, or for its useful life if this were less, unless accounting losses are incurred (see Note 7). At 31 December 2020 and 2019, the Company had met the investment requirements established in the regulation (Note 16).

#### **e) Legal reserve**

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2020 and 2019, the balance of this reserve had reached the legally required minimum.

#### **f) Restricted reserves**

Until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Consequently, at the end of 2020 EUR 40,888 thousand (end of 2019: EUR 44,304 thousand) of the balance of "Other Reserves" were restricted (Note 6).

#### **g) Dividends**

The Annual General Meeting held on 13 June 2020 resolved to pay dividends amounting to EUR 28,864 thousand, of which EUR 1,950 thousand related to profit for 2019 and EUR 26,914 thousand were distributed with a charge to voluntary reserves. At 31 December 2020, the Company recognised these amounts net of withholding tax under "Current Payables - Other Financial Liabilities" in the accompanying balance sheet, and the amount was paid in full in January 2021 (see Note 14).

The Annual General Meeting held on 15 June 2019 resolved to pay dividends amounting to EUR 26,225 thousand, of which EUR 4,285 thousand related to profit for 2018, and EUR 21,940 thousand were distributed with a charge to voluntary reserves.

#### **h) Grants**

The information on the grants received by the Company, which form part of equity, and on the amounts taken to income in this connection is as follows:

	Thousands of euros (*)
<b>Balance at 31/12/18</b>	-
Increase	4,325
Amount taken to profit or loss	(885)
<b>Balance at 31/12/19</b>	<b>3,440</b>
Increase	809
Amount taken to profit or loss	(468)
<b>Balance at 31/12/20</b>	<b>3,781</b>

(\*) These amounts are net of the related tax effect (see Note 16-c).

At the end of 2020 and 2019 the Company had fulfilled all the conditions attaching to the grants detailed above and, therefore, it does not expect differences to arise in possible future reviews.

In 2020 the Company has received grants for amount of EUR 1.064 thousand in order to support the investments made in different development projects (2019: EUR 5,691 thousand)(see Note 6).

In 2020 the Company transferred EUR 616 thousand to profit or loss in relation to grants received in prior years with a credit to "Allocation to Profit or Loss of Grants Related to Non-Financial Non-Current Assets and Other Grants" in the statement of profit or loss (2019: EUR 1,165 thousand).

#### 14. Non-current and current liabilities

The detail of "Non-Current Payables" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes Categories	Non-current financial instruments					
	Non-current bank borrowings		Other non-current financial liabilities		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Accounts payable	600,630	585,658	20,417	20,027	621,047	605,685
Financial derivatives (Note 15)	-	-	39,606	45,001	39,606	45,001
<b>Total</b>	<b>600,630</b>	<b>585,658</b>	<b>60,023</b>	<b>65,028</b>	<b>660,653</b>	<b>650,686</b>

The detail of "Current Payables" at the end of 2020 and 2019 is as follows (in thousands of euros):

Classes Categories	Current financial instruments					
	Short-term bank borrowings and debt instruments or other marketable securities		Other current financial liabilities (Note 7)		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Accounts payable	40,502	90,646	8,921	16,564	49,423	107,210
Dividendo active a pagar (Note 13-g)	-	-	25,616	-	25,616	-
Financial derivatives (Note 15)	-	-	17,814	47,059	17,814	47,059
<b>Total</b>	<b>40,502</b>	<b>90,646</b>	<b>52,351</b>	<b>63,623</b>	<b>92,853</b>	<b>154,269</b>

#### Bank borrowings and debt instruments or other marketable securities

In 2020 the Company drew down two loans arranged in 2019 for an amount of EUR 45 million, and arranged four additional bank loans totalling EUR 105 million, which had been drawn down in full at 31 December 2020.

In addition, in 2020 the Company repaid EUR 50.6 million on maturity and four loans for EUR 70 million early.

Also, in 2020 the Company negotiated new terms and conditions for an existing loan of EUR 70 million, modifying the interest expenses and extending the maturity from one year to an average maturity of 4.7 years.

During 2019, the Company contracted six new loans with financial institutions for a total amount of EUR 135 million. These loans were drawn down in the amount of EUR 90 million as of December 31, 2019.

In addition, during 2019 the Company faced maturities amounting to EUR 14,750 thousand and two loans amounting to EUR 25,000 thousand were repaid early.

On the other hand, during 2019 the Company negotiated new conditions for six existing loans with credit institutions for an amount of EUR 138,000 thousand, having increased the amount to be repaid by EUR 7,500 thousand, at a fixed market interest rate and having extended the maturity between three and six years.

In addition to the foregoing, the Company has access to undrawn credit facilities amounting to EUR 322,927 thousand (31 December 2019: EUR 223,225 thousand) instrumented in the form of undrawn loans, credit lines and factoring agreements, which are tied mainly to Euribor plus a market spread.

On 21 December 2017, the Company arranged a Euro-Commercial Paper Programme for an aggregate maximum principal amount of EUR 200 million ("the Programme"), which was registered at the Irish Stock Exchange. The Programme was renewed for 12-month period in December 2019, with the aggregate maximum principal amount increased to EUR 250 million as a result of the latest renewal and was not renewed in December 2020. In 2020 issues amounting to EUR 162.7 million were launched under this Programme, and were redeemed on maturity. Under the terms and conditions of the Information Memorandum relating to the Programme and for a period of 12 months, CAF may issue ordinary fixed-income securities with a maturity of less than 364 days, which may be listed on the Irish Stock Exchange, or on any other stock exchange or trading system. At 31 December 2020, EUR 10 million of the issues launched and maturing in the opening months of 2021 had not yet fallen due (2019: EUR 80 million).

To replace the Programme registered with the Irish Stock Exchange, the Company, in accordance the approval given by the Board of Directors on 17 December 2020, formalised the Commercial Paper Programme CAF 2020 for an aggregate maximum principal amount of EUR 250 million which was listed on the Alternative Fixed-Income Market ("MARF") on 21 December 2020. The Programme will enable the Company, under the terms and conditions established in the Information Memorandum and for a period of 12 months, to issue commercial paper with a maturity of less than 730 days, which will be listed on the MARF. At 2020 year-end, no issues had been made under this programme.

In 2020 the borrowing costs were incurred amounting to EUR 14,225 thousand (2019: EUR 11,921 thousand), due to the financial liability and obligations held in 2019.

In addition, at 31 December the Company's suppliers had drawn EUR 12,322 thousand against non-recourse reverse factoring lines.

### Other financial liabilities - Accounts payable

The changes in the items composing "Other Non-Current Financial Liabilities - Accounts Payable" are as follows (in thousands of euros):

#### 2020

	31/12/19	Increase/Decrease	Transfers to short term	31/12/20
Refundable advances	15,856	1,379	(4,941)	12,294
Employee benefit obligations (Note 19-d)	3,152	2,745	(3,051)	2,846
Share purchase liabilities (Note 9)	-	61	4,123	4,184
Other	1,019	78	(4)	1,093
<b>Total</b>	<b>20,027</b>	<b>4,263</b>	<b>(3,873)</b>	<b>20,417</b>

#### 2019

	31/12/18	Increase/Decrease	Transfers to short term	31/12/19
Refundable advances	20,926	(2,946)	(2,124)	15,856
Employee benefit obligations (Note 19-d)	3,408	2,814	(3,070)	3,152
Share purchase liabilities (Note 9)	8,465	(558)	(7,907)	-
Other	917	102	-	1,019
<b>Total</b>	<b>33,716</b>	<b>(588)</b>	<b>(13,101)</b>	<b>20,027</b>

#### Refundable advances

Through programmes that promote research, Government has awarded certain grants to CAF for the performance of research and development projects, which are recognised on the date they are effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.
- Refundable advances in the form of loans which are generally interest-free and which usually have a grace period of 3 years and are repaid in a period of over 10 years.

In certain projects, the project coordinator is responsible for the performance of the project in dealings with Government, and collects all of the grants therefrom. At 31 December 2020, the Company recognised balances receivable totalling EUR 1,153 thousand under "Trade and Other Receivables - Other Receivables" (31 December 2019: EUR 1,127 thousand). Also, the Company had recognised EUR 2,953 thousand under "Trade and Other Payables - Other Payables", in relation to the amount payable to third parties arising from joint projects (31 December 2019: EUR 5,167 thousand).

### Employee benefit obligations

The Company has recognised the future obligations to the employees who have entered into pre-retirement plans (see Note 3-k). At 31 December 2020, "Non-Current Payables - Other Financial Liabilities" and "Other Current Liabilities" in the accompanying balance sheet included approximately EUR 2,847 thousand and EUR 2,649 thousand, respectively (31 December 2019: EUR 3,152 thousand and EUR 2,712 thousand), relating to the present value estimated by the directors of the future payments to be made to employees with whom hand-over contracts had been entered into in December 2020. The net provision for 2020 was recognised with a charge of EUR 2,745 thousand (2019: EUR 3,050 thousand) to "Staff Costs" in the accompanying statement of profit or loss (see Note 19-d).

Also, the detail of the present value of the obligations assumed by the Company relating to post-employment benefits and long-term employee benefits, net of the fair value of the plan assets allocated for the coverage thereof, at the end of 2020 and 2019, is as follows (see Note 3-k):

	Thousands of euros	
	31/12/20	31/12/19
Present value of the obligations assumed	59,430	51,374
Less - Fair value of plan assets	(58,989)	(50,882)
<b>Other current (assets) liabilities, net</b>	<b>441</b>	<b>492</b>

The present value of the obligations assumed by the Company was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial Assumptions	2020	2019
Discount rate	0.72%-0.73%	0.99% - 1.05%
Mortality tables	PERM/F/2000P	PERM/F/2000P
Annual salary or pension increase rate	1-2%	1-2%
Retirement age	65-67	65-67

The fair value of the plan assets was calculated at year-end using the projected unit credit method.

### Share purchase liabilities

"Share Purchase Liabilities" includes the amounts foreseeably payable for the cross call options to acquire the remaining share capital of BWB Holdings Limited (26% of the remaining share capital) (see Note 9). The strike price of these transactions varies, depending on the certain financial parameters of the company on the date the options are exercised.

In 2020 25% of the remaining share capital of Rifer SRL. was acquired, which gave rise to the payment of EUR 772 thousand and income of EUR 76 thousand recognised under "Other Operating Income".

## Maturity of non-current payables

The detail, by maturity, of "Non-Current Payables" is as follows (in thousands of euros):

### 2020

	2022	2023	2024	2025	2026 and subsequent years	Total
Bank borrowings	118,302	63,401	100,838	222,416	95,673	600,630
Other financial liabilities - Accounts payable	5,354	8,083	2,725	1,913	2,342	20,417
Other financial liabilities - Financial derivatives	17,021	14,984	5,255	2,346	-	39,606
<b>Total</b>	<b>140,677</b>	<b>86,468</b>	<b>108,818</b>	<b>226,675</b>	<b>98,015</b>	<b>660,653</b>

### 2019

	2021	2022	2023	2024	2025 and subsequent years	Total
Bank borrowings	82,967	101,446	51,318	143,838	206,089	585,658
Other financial liabilities - Accounts payable	5,696	4,741	3,256	2,391	3,943	20,027
Other financial liabilities - Financial derivatives	12,100	18,174	11,025	2,590	1,112	45,001
<b>Total</b>	<b>100,763</b>	<b>124,361</b>	<b>65,599</b>	<b>148,819</b>	<b>211,144</b>	<b>650,686</b>

## 15. Derivative financial instruments

CAF uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates and interest rates. CAF arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned. Also, the Company has arranged interest rate hedging derivatives to hedge a portion of borrowings.

The breakdown of the net balances of derivatives, basically fair value and cash flow hedges, recognised in the balance sheets as at 31 December 2020 and 2019 is as follows:

### 2020

Currency put options at 31/12/20	Maturity (in currency)		
	2021	2022	2023 and subsequent years
<b>Fair value hedges-</b>			
USD currency forwards (*)	111,568,130	-	-
GBP currency forwards	172,648,152	180,166,152	63,657,877
BRL currency forwards	116,253,685	-	-
SEK currency forwards	673,370,602	113,046,807	208,762,058
AUD currency forwards	81,328,202	280,693,760	372,075,157
SAR currency forwards	88,292,442	-	-
MXP currency forwards	1,057,645,105	-	-
TRY currency forwards	1,001,929	-	-
JPY currency forwards	13,767,210,625	-	-
NZD currency forwards	1,600,000	-	-
HUF currency forwards	2,774,460,109	-	-
CAD currency forwards	1,056,000	-	-
HKD currency forwards	-	92,696,630	-

(\*) Including the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/20	Maturity (in currency)		
	2021	2022	2023 and subsequent years
<b>Fair value hedges-</b>			
USD currency forwards	6,632,384	28,553,760	-
MXP currency forwards	700,878,878	-	-
GBP currency forwards	137,586,127	899,259	-
JPY currency forwards	1,482,706,334	-	-
AUD currency forwards	6,572,272	2,500,000	-
			-
<b>Cash flow hedges-</b>			
COP currency forwards	-	41,426,907,270	-
ILS currency forwards (Note 9)	21,798,566	20,000,000	-
JPY currency forwards	658,494,064	-	-

## 2019

Currency put options at 31/12/19	Maturity (in currency)		
	2020	2021	2022 and subsequent years
<b>Fair value hedges-</b>			
USD currency forwards (*)	98,128,627	45,054,172	-
GBP currency forwards	264,369,800	54,448,371	243,824,029
BRL currency forwards	6,089,589	-	-
SEK currency forwards	856,207,895	-	-
AUD currency forwards	16,842,010	45,922,439	645,802,427
SAR currency forwards	81,139,390	-	-
MXP currency forwards	1,726,077,120	-	-
TRY currency forwards	1,871,861	-	-
JPY currency forwards	6,791,754,460	6,975,456,165	-
NZD currency forwards	3,500,687	-	-
HUF currency forwards	215,790,000	-	-

(\*) Including the partial hedge of the net investment in CAF USA, Inc. amounting to USD 22,300 thousand.

Currency call options at 31/12/19	Maturity (in currency)		
	2020	2021	2022 and subsequent years
<b>Fair value hedges-</b>			
USD currency forwards	39,368,803	6,632,384	-
MXP currency forwards	1,021,333,911	-	-
BRL currency forwards	6,439,468	-	-
GBP currency forwards	110,208,756	39,792,125	-
JPY currency forwards	1,265,916,000	-	-
AUD currency forwards	-	7,682,932	-
<b>Cash flow hedges-</b>			
COP currency forwards	48,000,000,000	-	-
JPY currency forwards	1,759,692,274	-	-

At 31 December 2019, the Company has arranged an interest rate swap with the start date on 30 September 2018, a nominal amount of EUR 25 million and expiry on 31 July 2023. The Company pays a fixed rate and receives a floating rate tied to Euribor to hedge the interest rate risk of certain loans with the same notional amount and repayment schedule (see Note 14).



The fair value of the derivative financial instruments arranged at each year-end are as follows:

	Thousands of euros			
	Fair value		Cash flow	
	31/12/20	31/12/19	31/12/20	31/12/19
USD currency forwards	(2,553)	(6,438)	-	-
GBP currency forwards	(3,219)	(4,845)	-	-
MXP currency forwards	(953)	(9,813)	-	-
BRL currency forwards	(1,183)	(1,884)	-	-
AUD currency forwards	(4,637)	(3,369)	-	-
SEK currency forwards	(4,690)	(1,009)	-	-
SAR currency forwards	1,903	2,621	-	-
JPY currency forwards	3,119	2,702	(281)	901
COP currency forwards	1,096	19	766	977
ILS currency forwards	-	-	77	-
Currency forwards in other currencies	(296)	(377)	-	-
Forward rate agreements	-	-	(671)	(691)
<b>Measurement at year-end (*) (Notes 8 and 14)</b>	<b>(11,413)</b>	<b>(22,393)</b>	<b>(109)</b>	<b>1,187</b>

(\*) Before considering the related tax effect

In order to measure the financial instruments, on the one hand the Company uses the measurement of the instruments themselves, and on the other, the measurement of own and counterparty credit risk.

The hedging instruments expire in the same year in which the cash flows are expected to occur.

Following is a reconciliation of the remeasurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of euros):

	31/12/20	31/12/19
Non-current assets (Note 8)	38,800	44,225
Current assets (Note 8)	7,098	26,629
Non-current liabilities (Note 14)	(39,606)	(45,001)
Current liabilities (Note 14)	(17,814)	(47,059)
<b>Balance sheet net total</b>	<b>(11,522)</b>	<b>(21,206)</b>
Fair value	(11,413)	(22,393)
Cash flow	(109)	1,187
<b>Total derivatives, remeasured</b>	<b>(11,522)</b>	<b>(21,206)</b>

In 2020 the ineffective portion of the hedging transactions charged to profit or loss amounted to a revenue of EUR 454 thousand (2019: EUR 2,948 thousand) mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement of the fair value derivatives resulted in an expense of EUR 400 thousand in 2020 (2019: expense of EUR 5,122 thousand), which is similar to the changes in value of the hedged items.

The items hedged by the Company, as indicated in Note 5-a on market risks, are mainly currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges) or net investments in foreign operations.

## 16. Tax matters

### a) Current tax receivables and payables

The detail of the current tax receivables and payables at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Assets (Note 12)		Liabilities	
	31/12/20	31/12/19	31/12/20	31/12/19
Accrued social security taxes	-	-	10,298	9,528
Regular taxes-				
VAT	21,336	31,341	398	4,122
Other	193	189	-	13
Personal income tax withholdings	-	-	8,917	6,788
Income tax	1,650	1,820	-	-
<b>Total</b>	<b>23,179</b>	<b>33,350</b>	<b>19,613</b>	<b>20,451</b>

In 2011 Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent, and certain subsidiaries availed themselves of the special VAT regime for groups.

### b) Reconciliation of the accounting profit to the taxable profit

	Thousands of euros	
	2020	2019
<b>Accounting profit (before tax)</b>	<b>(52,478)</b>	<b>8,974</b>
<b>Permanent differences-</b>		
Sundry obligations to employees (Note 14)	839	(339)
Subsidiary dividends, litigation and other	(16,470)	4,875
Intellectual and industrial property	(1,491)	(1,816)
<b>Increases and decreases due to temporary differences and accelerated depreciation and amortisation-</b>		
Sundry obligations to employees (Note 14)	(438)	685
Provisions for reliability, guarantees and other (Note 17)	23,890	(33,151)
Impairment losses on investments, results of joint ventures and other (Note 9)	(9,600)	1,753
Depreciation due to asset revaluation - Gipuzkoa Regulation 1/2013 (Note 7)	(121)	(138)
<b>Taxable profit/Tax loss</b>	<b>(55,869)</b>	<b>(19,157)</b>
<b>Tax consolidation adjustments (impairment) and elimination of dividends of consolidated tax group</b>	<b>(14,839)</b>	<b>8,186</b>
<b>Adjusted taxable profit</b>	<b>(70,708)</b>	<b>(10,971)</b>

Since 2007 the Company has filed consolidated tax returns under Gipuzkoa Income Tax Regulation 2/2014, of 7 January, as part of consolidated tax group no. 03/07/G, the parent of which is Construcciones y Auxiliar de Ferrocarriles, S.A. and the subsidiaries are: CAF Investment Projects, S.A.U., CAF I+D, S.L.U., CAF Power & Automation, S.L., Geminys, S.L., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Signalling, S.L.U., CAF Diversified Business Development, S.A.U., CAF Engineered Modernizations, S.L.U. y CAF Rail Digital Services, S.L.U. The consolidated tax regime will be applied indefinitely while the requirements are fulfilled or the tax group does not expressly waive its application by means of the corresponding business taxation status notification form.

If the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof. Under the legislation in force, the income tax rate applied in 2020 and 2019 was 24%. The Company's tax liability to the tax authorities should be interpreted in the context of the consolidated tax regime under which it files tax returns. In this connection, the consolidated tax group files income tax returns to the central tax authorities and to the provincial tax authorities of Gipuzkoa and Vizcaya based on the volume of transactions performed in each territory.

**c) Tax recognised in equity**

The detail of the tax recognised directly in equity is as follows:

	Thousands of euros	
	31/12/20	31/12/19
<b>Arising in the year-</b>		
Grants (Note 13-h)	(108)	(1,086)
Hedges (Note 15)	311	(405)
<b>Arising in prior years-</b>		
Grants (Note 13-h)	(1,086)	-
Hedges (Note 15)	(286)	119
<b>Total tax recognised directly in equity</b>	<b>(1,169)</b>	<b>(1,372)</b>

**d) Reconciliation of the accounting profit to the income tax expense**

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of euros	
	2020	2019
<b>Accounting profit before tax</b>	<b>(52,478)</b>	<b>8,974</b>
<b>Tax charge at 24%</b>	<b>(12,595)</b>	<b>2,154</b>
Impact of permanent differences and tax consolidation adjustments	(7,671)	2,618
Differences - previous year's tax return	(49)	833
Inspection report settlement differences	(1,121)	-
Other (taxes paid abroad)	640	1,216
Tax assets and deferred tax assets not recognized	17,455	203
<b>Total income tax expense recognised in profit or loss</b>	<b>(3,341)</b>	<b>7,024</b>
<b>Current tax expense</b>	<b>(1,375)</b>	<b>2,216</b>
<b>Deferred tax expense</b>	<b>(1,966)</b>	<b>4,808</b>

In 2020 and 2019 no tax credits were used.

The differences between the estimated income tax for 2019 and the tax return ultimately filed gave a charge of EUR 49 thousand being credited to "Income Tax" in the accompanying statement of profit or loss.

In 2020 the Company expects to report tax credits amounting to EUR 4,014 thousand (2019: EUR 9,792 thousand), which relate mainly to international double taxation tax credits, tax credits for R&D+i.

**e) Deferred tax assets (temporary differences and tax assets)**

The detail of "Deferred Tax Assets" at the end of 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Temporary differences (deferred tax assets)	33,833	30,536
Tax credit carryforwards and other (Note 3-l)	17,122	19,175
Tax losses (Note 3-l)	18,929	18,938
<b>Total deferred tax assets</b>	<b>69,884</b>	<b>68,649</b>

In 2020 the Company has incurred a tax loss of EUR 70,708 thousand, of which EUR 8,257 thousand were offset by taxable profit incurred by other Group companies, recognising the corresponding account receivable (see Note 10).

The Company has tax credit carryforwards earned between 2009 and 2020 amounting to EUR 65,788 thousand, of which EUR 17,122 have been recognised in the accompanying balance sheet as at 31 December 2020 (31 December 2019: EUR 91,754 thousand earned between 2009 and 2019, of which EUR 19,175 thousand had been recognised). The amounts not deducted due to insufficient tax charge can be used, observing the same limit, in the tax returns for the tax periods concluding in the immediately subsequent 30 years. In view of the uncertainty inherent to the recoverability of deferred tax assets, the Company's recognition policy is based on an assessment of future taxable profit on the basis of its backlog.

In 2013 the Company availed itself of the tax incentive provided for in Article 39 of Gipuzkoa Income Tax Regulation 7/1996. At 31 December 2020, the Company had fulfilled all the investment commitments related to this incentive (see Note 13).

In 2016 the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 6,337 thousand. The reinvestment commitment, which totalled EUR 13,500 thousand, was fulfilled mainly in investments already made in 2016 by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

Also, the Company availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 14,113 thousand. The reinvestment commitment, which totalled EUR 15,000 thousand, was partially fulfilled in investments already made in 2020 amounting to EUR 6,208 thousand by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

The detail and changes in the Company's (recognised and unrecognised) temporary differences giving rise to deferred tax assets is as follows:

	Thousands of euros						
	31/12/18	Additions	Disposals	31/12/19	Additions	Disposals	31/12/20
Tax assets recognised	20,399	1,707	(2,931)	19,175	2,191	(4,244)	17,122
Tax effect of tax losses	24,370	-	(5,432)	18,938	-	(9)	18,929
<b>Recognised temporary differences-</b>							
Contractual and reliability liability	579	134	(384)	329	132	-	461
Provision for construction work not deductible in the year	14,280	-	(6,579)	7,701	-	(1,272)	6,429
Impairment losses on investments	284	10,347	-	10,631	117	(4,361)	6,387
Hand-over contracts	1,490	684	(766)	1,408	822	(910)	1,320
Warranties and maintenance	5,839	-	(1,128)	4,711	6,973	-	11,584
Asset revaluation	263	-	(33)	230	-	(29)	201
Hedges	120	165	(119)	166	-	(5)	161
Other	5,814	1,020	(1,474)	5,360	2,600	(670)	7,290
	<b>73,438</b>	<b>14,057</b>	<b>(18,846)</b>	<b>68,649</b>	<b>12,735</b>	<b>(11,500)</b>	<b>69,884</b>
<b>Unrecognised temporary differences-</b>							
Provisions for post-employment obligations	6,809	1,550	(236)	8,123	963	(167)	8,919
Impairment losses on equity investments	1,294	15	-	1,309	6	-	1,315
Other	3	-	(1)	2	-	-	2
	<b>8,106</b>	<b>1,565</b>	<b>(237)</b>	<b>9,434</b>	<b>969</b>	<b>(167)</b>	<b>10,236</b>

The amount of the recognised tax credits and tax loss carry forwards and their last year for deduction by the Company is as follows:

	Thousands of euros			
	31/12/20		31/12/19	
	Amount	Last year for deduction	Amount	Last year for deduction
<b>Tax credits recognised-</b>				
Earned in 2009	628	2039	1,699	2039
Earned in 2010	4,714	2040	6,805	2040
Earned in 2012 (I+D+i)	3,157	2042	2,562	2042
Earned in 2013 (I+D+i)	5,465	2043	5,465	2043
Earned in 2014 (I+D+i)	1,091	2044	1,677	2044
Earned in 2018 (DDI)	424	2048	-	
Earned in 2019 (DDI)	977	2049	967	2049
Earned in 2020 (DDI)	666	2050		
<b>Tax loss carryforwards-</b>				
Earned in 2014	13,899	2044	13,908	2044
Earned in 2015	5,030	2045	5,030	2045
	<b>36,051</b>		<b>38,113</b>	

#### f) Deferred tax liabilities

The detail of and changes in the deferred tax liabilities of the Company are as follows:

##### 2020

	Thousands of euros			
	31/12/19	Additions	Disposals	31/12/20
Grants (Note 13-h)	1,086	256	(148)	1,194
Hedging transactions	451	-	(316)	135
Other	152	-	(1)	151
<b>Total</b>	<b>1,689</b>	<b>256</b>	<b>(465)</b>	<b>1,480</b>

##### 2019

	Thousands of euros			
	31/12/18	Additions	Disposals	31/12/19
Grants (Note 13-h)	-	1,366	(280)	1,086
Hedging transactions	-	1,005	(554)	451
Other	152	-	-	152
<b>Total</b>	<b>152</b>	<b>2,371</b>	<b>(834)</b>	<b>1,689</b>

#### g) Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At the date of preparation of the financial statements for 2020 the Company had all years since 2016 open for review for income tax and all years since 2017 open for review for the other taxes applicable to it. The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

On 25 September 2020 tax assessments relating to partial tax audits of the Company's income tax for 2012 to 2015, as well as that of tax group 03/07/G, were signed on an uncontested basis, which did not give rise to any liabilities for the Company or the entities that make up the tax group.

## **17. Provisions and contingencies**

### *Long-term provisions*

The Company recognises provisions under "Long-Term Provisions" in the balance sheet for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Company's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material. In 2020 the Company made payments amounting to EUR 1,068 thousand (2019: EUR 2,556 thousand) and recognised EUR 1,555 thousand (2019: EUR 3,023 thousand) mainly with a charge to "Staff Costs - Wages and Salaries" (Note 19-d).

### *Short-term provisions*

The changes in "Short-Term Provisions" in the balance sheet for 2020 and 2019 were as follows (in thousands of euros):

#### **2020**

	Contractual liability (Note 3-f)	Warranty and support services (Note 3-f)	Litigation	Other	Total
<b>31/12/19</b>	<b>146,496</b>	<b>86,323</b>	<b>289</b>	<b>1,761</b>	<b>234,869</b>
Net charge for the year	20,502	52,273	2,450	4,462	79,687
Amounts used charged to profit or loss	(24,734)	(30,697)	(218)	(137)	(55,786)
<b>31/12/20</b>	<b>142,264</b>	<b>107,899</b>	<b>2,521</b>	<b>6,086</b>	<b>258,770</b>

#### **2019**

	Contractual liability (Note 3-f)	Warranty and support services (Note 3-f)	Litigation	Other	Total
<b>31/12/18</b>	<b>150,761</b>	<b>84,592</b>	<b>600</b>	<b>1,398</b>	<b>237,351</b>
Net charge for the year	38,191	39,061	308	500	78,060
Amounts used charged to profit or loss	(42,456)	(37,330)	(619)	(137)	(80,542)
<b>31/12/19</b>	<b>146,496</b>	<b>86,323</b>	<b>289</b>	<b>1,761</b>	<b>234,869</b>

### *Contractual liability and warranty and support services*

The provisions for contractual liability relate mainly to delays in deliveries, in accordance with the production and shipment schedule and the contractual obligation agreed upon, and to provisions for onerous contracts. The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts.

The expected period to settle the provisions varies on the basis of their nature, the average approximate period being:

- Contractual liability: 1-2 years.
- Warranty: 1-4 years (varies on the basis of the contractual arrangement to which it relates).

The Company recognised a net provision of EUR 45,101 thousand under "Other Operating Expenses" (2019: net provision of EUR 40,433 thousand) relating to the difference between the provisions required in this connection at 2020 year-end and the provisions recognised at 2019 year-end. The guarantee expenses incurred to meet the various obligations in 2020, which amounted to approximately EUR 30,697 thousand (2019: EUR 37,330 thousand), were recognised primarily under "Procurements" and "Staff Costs".

In 2008 the Company entered into an agreement with Metro de Caracas for the manufacture and supply of 48 trains to be manufactured in Spain. At 31 December 2020 and 2019, all the trains had been sent to the customer. Due to the contractual terms and conditions, at 31 December 2020 the Company had recognised a provision with a charge to the contract, amounting to EUR 66,535 thousand (31 December 2019: EUR 66,535 thousand), which is recognised under "Contractual Liability" in the table above (see Note 12). There is no litigation relating to this agreement.

## **18. Foreign currency balances and transactions**

The detail of the most significant balances and transactions in foreign currency, translated to euros at the year-end exchange rates and the average exchange rates for the year, respectively, is as follows:

	Thousands of euros	
	2020	2019
Accounts receivable (Note 12) (*)	265,250	216,171
Group accounts receivable (Notes 10 and 12) (*)	102,252	55,040
Loans granted to Group companies (**) (Note 10)	86,234	126,692
Loans received from Group companies (Note 10) (***)	9,096	3,534
Accounts payable (*)	21,103	32,703
Sales	445,165	385,218
Purchases and services received	118,266	126,391

(\*) Balance mainly in pounds sterling, Australian dollars and US dollars.

(\*\*) Balance in US dollars, Australian dollars, Mexican pesos and Swedish crowns.

(\*\*\*) Balance in Mexican pesos and sterling pounds.

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss, additional to those indicated in Note 15, is as follows (in thousands of euros):

	Transactions settled in the year	
	2020	2019
Other	(21,984)	(2,037)
<b>Total</b>	<b>(21,984)</b>	<b>(2,037)</b>

## **19. Income and expenses**

### **a) Revenue**

The detail, by line of business, of the Company's revenue for 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
High-speed. Regional and commuter	563,863	600,125
Metros	221,767	189,025
Tram and light rail	410,147	350,940
Bogies and other	11,334	24,663
<b>Trains</b>	<b>1,207,111</b>	<b>1,164,753</b>
<b>Services</b>	<b>154,121</b>	<b>121,651</b>
<b>Integral Systems, Equipment and Other</b>	<b>135,329</b>	<b>147,470</b>
<b>Total</b>	<b>1,496,561</b>	<b>1,433,874</b>

The detail of the Company's sales by geographical market (Spain, EU, rest of the world) is as follows (in thousands of euros):

	2020	2019
Spain	152,173	180,845
<b>European Union:</b>		
EU – Euro Area	659,029	440,223
EU – No Euro Area	72,207	143,282
	<b>731,236</b>	<b>583,505</b>
Rest of the world	613,152	669,524
<b>Total</b>	<b>1,496,561</b>	<b>1,433,874</b>

#### b) Procurements

The detail of "Cost of Goods Held for Resale Sold", "Cost of Raw Materials and Other Consumables Used" and "Work Performed by Other Companies" in 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
<b>Cost of raw materials and other consumables used-</b>		
Purchases from and work performed by third parties	862,540	913,888
Changes in inventories	39,070	(24,580)
<b>Total</b>	<b>901,610</b>	<b>889,308</b>

#### c) Detail of purchases by origin

The detail, by origin, of the purchases made by the Company in 2020 and 2019 is as follows:

	2020			2019		
	Spain	EU countries	Imports	Spain	EU countries	Imports
Purchases	63%	27%	10%	66%	26%	8%

#### d) Staff costs

The average headcount in 2020 and 2019 was as follows:

##### 2020

Professional category	Average number of employees	Men	Women
Board members	2	1	1
Senior executives	10	9	1
Employees	1,867	1,394	473
Manual workers	2,341	2,274	67
<b>Total (*)</b>	<b>4,220</b>	<b>3,678</b>	<b>542</b>

(\*) At 31 December 2020, the workforce comprised 3,958 permanent employees and 180 temporary employees.

##### 2019

Professional category	Average number of employees	Men	Women
Board members	2	1	1
Senior executives	11	10	1
Employees	1,835	1,372	463
Manual workers	2,453	2,385	68
<b>Total (*)</b>	<b>4,301</b>	<b>3,768</b>	<b>533</b>

(\*) At 31 December 2019, the workforce comprised 3,922 permanent employees and 392 temporary employees.



Since CAF does not meet the quota reserved for disabled employees, it has taken certain alternative measures established by Royal Decree 364/2005, of 8 April, which regulates alternative compliance of an exceptional nature with the quota reserved for disabled employees.

The average number of persons employed by the Company in 2020 and 2019 with a disability equal to or greater than 33%, by category, was as follows:

Professional category	Average number of employees		
	2020	Men	Women
Employees	15	13	2
Manual workers	38	36	2
<b>Total</b>	<b>53</b>	<b>49</b>	<b>4</b>

Professional category	Average number of employees		
	2019	Men	Women
Employees	15	13	2
Manual workers	41	39	2
<b>Total</b>	<b>56</b>	<b>52</b>	<b>4</b>

At 31 December 2020, the Company's Board of Directors comprised 7 men and 4 women. At 31 December 2019, it comprised 7 men and 3 women.

The detail of staff costs is as follows (in thousands of euros):

	2020	2019
Wages and salaries (Notes 3-k, 14, 17, 20-a and 21)	220,504	221,889
Social security costs	65,514	66,257
Other expenses (Note 3-k)	16,158	15,857
<b>Total</b>	<b>302,176</b>	<b>304,003</b>

An expense of EUR 2,745 thousand (2019: EUR 3,050 thousand) is included under "Staff Costs - Wages and Salaries" in the statement of profit or loss in relation to early retirement (see Note 14).

#### **e) Other operating expenses**

	Thousands of euros	
	2020	2019
Outside services	198,427	236,675
Taxes other than income tax	694	808
Change in operating provisions and allowances and other (Notes 12 and 17)	45,407	40,365
<b>Total</b>	<b>244,528</b>	<b>277,848</b>

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries amounted to EUR 1,285 thousand in 2020 (2019: EUR 1,263 thousand). Of this amount, in 2020 EUR 660 thousand related to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2019: EUR 659 thousand), EUR 139 thousand of which related to the audit fees corresponding to the Parent in 2020 (2019: EUR 137 thousand). In addition, fees for other professional services amounting to EUR 236 thousand were billed in 2020 (2019: EUR 165 thousand): EUR 181 thousand for audit-related attest services including six-monthly reviews (2019: EUR 144 thousand), EUR 7 thousand for tax services (2019: EUR 7 thousand) and the remainder for other services.

#### **f) Information on the environment**

In 2020 and 2019 no investments were made in systems, equipment and facilities designed for environmental protection and improvement.

In 2020 the Group incurred environmental expenses amounting to EUR 764 thousand (2019: EUR 643 thousand).

At 31 December 2020 and 2019, the Company did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Company's directors do not expect any material liabilities to arise as a result of the Company's environmental activities and, accordingly, the accompanying balance sheet does not include any provisions in this connection.

The Company did not receive any environmental grants in 2020.

## **20. Information on the Board of Directors**

### ***a) Remuneration and other benefits of directors***

In 2020 and 2019, in addition to the remuneration that may be payable as indicated in Note 3-k, the total remuneration of the members of the Board of Directors amounted to approximately EUR 1,716 thousand (2019: EUR 1,907 thousand) in relation to salaries, life insurance, attendance fees and fixed compensation. Also, in 2020 the Company made contributions to long-term savings plans, instrumented in the form of a long-term defined contribution group savings insurance policy of which the Company is both policy-holder and beneficiary, totalling EUR 1,300 thousand (2019: EUR 1,300 thousand). At 31 December 2020 and 2019, no advances, guarantees or loans had been granted to its current or former directors.

In 2020 EUR 67 thousand were paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2019: EUR 59 thousand).

### ***b) Information regarding situations of conflict of interest involving the directors***

In 2020 and 2019 neither the members of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. nor persons related to them as defined in the Spanish Limited Liability Companies Law notified the other members of the Board of any direct or indirect conflict of interest that they might have with the Company.

## **21. Remuneration of senior executives**

Remuneration of the Company's senior executives, per the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 2,369 thousand in 2020 (2019: EUR 3,008 thousand).

In 2020 and 2019 there were no other transactions with senior executives outside the ordinary course of business.

## **22. Other disclosures**

### ***a) Guarantees and other contingent assets and liabilities***

At 31 December 2020, the guarantees provided to the Company by banks and insurance companies for third parties, and to other Group companies when the Company is the counter-guarantor, amounted to EUR 3,460 million (31 December 2019: EUR 3,162 million). Of this amount, EUR 7.7 million related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology and other government agencies (31 December 2019: EUR 9.5 million) and EUR 58.2 million relate to the guarantee for the future contributions in 2024 and 2027 to be made by CAF Investment Projects, S.A.U. at the investee Momentum Trains Holding Pty Ltd. and TransJerusalem J-Net Ltd. respectively (31 December 2019: EUR 17.5 million). The Company and its directors consider that no material liabilities will arise in this connection .

Also, the Company had been provided guarantees for third parties to secure the financial liabilities of its investees amounting to EUR 42,433 thousand (31 December 2019: EUR 44,332 thousand) (see Note 10).

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 defence and has cooperated on an ongoing basis with the authorities and provided them with the information requested. In July 2019 the CADE Court issued an administrative decision imposing a penalty of BRL 167,057,982.53 (EUR 26,211 thousand) on the subsidiary and recommended that the competent authorities not grant the subsidiary certain tax benefits for five years. At the date of authorisation for issue of these financial statements, the subsidiary had filed a court appeal against the decision of the CADE, the administrative process thereof having finalised.

The subsidiary rejects CADE's assessment of the events when imposing the aforementioned penalty and argues that its own actions in relation to the events investigated were carried out, at all times, in strict compliance with the applicable legislation. The subsidiary's legal advisers consider that there is a reasonable chance that the final amount of the penalty imposed will be reduced to a quantity substantially lower than the aforementioned amount, all without prejudice to the possibility of the fine being completely annulled. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 137 thousand. At the present date, the decision on an extraordinary appeal to unblock the account is currently being awaited.

Also, as a result of the investigations conducted by CADE, other authorities, including the São Paulo State Public Prosecutor, initiated court proceedings against which the Group has already filed its corresponding defences. Similarly, and as a result of CADE's investigations, an administrative proceeding was initiated by the Brazilian Court of Auditors in relation to which the subsidiary submitted its preliminary defence in the first half of 2016. Subsequent to the ruling of the Court of Auditors which considered the existence of irregularities of any kind to be unproven, a request was made for these proceedings to be closed and dismissed. This request is awaiting a decision. Lastly, also as a result of CADE's investigations, an administrative proceeding was initiated by the São Paulo Court of Auditors in relation to which the subsidiary submitted its initial pleadings in the second half of 2018.

The CAF Group continues to defend its interests in these proceedings. However, at the reporting date it was not possible to determine the result or the impact that these proceedings might have on the consolidated financial statements of the subsidiary should the outcome be unfavourable and, therefore, no liabilities were recognised in this connection in the financial statements.

Also, the subsidiary is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. Currently, various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, 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. Both the consortium and the subsidiary are taking action in court to defend themselves in these proceedings. In relation to the potential breach of contract, CAF's legal advisers consider that the consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. In any case, should a court rule against the consortium for breach, since the breaches are mainly attributable to other members of the consortium, CAF could claim the potential losses from such members.

At 31 December 2020, the Company was involved in litigation with a customer as a result of a project in which mutually submitted claims were made due to delays in achieving the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Company's directors consider that the likelihood of this situation giving rise to losses for the Company is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At the end of 2019, an independent expert issued a report justifying the delays, and at the date of authorisation for issue of these financial statements a court decision had not been handed down in this connection.

On 27 August 2018, the Spanish National Markets and Competition Commission (“CNMC”) instituted penalty proceedings in connection with purported anti-competitive practices against various companies, which included CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. as it is jointly and severally liable. On 15 September 2020, the Statement of Objections was issued. The subsidiary CAF Signalling, S.L.U. filed pleadings against the Statement of Objections. At the date of authorisation for issue of these financial statements the investigation remained open, awaiting the proposed judgment and, subsequently, the ruling of the Spanish National Markets and Competition Commission (CNMC), which will foreseeably take place in the second half of 2021. This resolution can be subject to appeal for judicial review at the National Appellate Court. CAF is employing the legal actions to which it is entitled to defend its interests, and is at present unaware of the conduct and practices of which CAF Signalling, S.L.U. and Construcciones y Auxiliar de Ferrocarriles, S.A. are accused. The investigation is ongoing on 31 December 2020.

**b) Disclosures on the average period of payment to suppliers**

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	<b>2020</b>	<b>2019</b>
	Days	Days
Average period of payment to suppliers	86.24	83.50
Ratio of transactions settled	86.51	86.27
Ratio of transactions not yet settled	85.30	73.14
	Thousands of euros	Thousands of euros
Total payments made	689,171	799,017
Total payments outstanding	193,482	213,574

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in “Payable to Suppliers” and “Other Payables” under current liabilities in the balance sheet.

The statutory maximum payment period applicable to the Company in 2020 under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, is 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

**23. Events after the reporting period**

At 31 December 2020, the Group's firm backlog, net of progress billings, amounted to approximately EUR 8,807,278 thousand (31 December 2019: EUR 9,446,468 thousand) (see Note 11).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

**24. Explanation added for translation to English**

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

**APPROVAL BY THE BOARD OF DIRECTORS**

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

MR LUIS MIGUEL ARCONADA ECHARRI

MS CARMEN ALLO PÉREZ

MS ANE AGIRRE ROMARATE

MR JULIÁN GRACIA PALACÍN

MR IGNACIO CAMARERO GARCÍA

MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary of the Board of Directors attesting that, following the authorisation for issue of the financial statements and directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for the year ended 31 December 2020 by the Board of Directors at its meeting on 25 February 2021, the directors have signed this document, consisting of 152 sheets numbered sequentially from 1 to 152, inclusive, signed by each of the directors at the end of the document.

San Sebastián, 25 February 2021.

Approved by

THE CHAIRMAN

MR ANDRÉS ARIZKORRETA GARCÍA

Signed

THE SECRETARY OF THE BOARD

MS MARTA BAZTARRICA LIZARBE

# **Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group (Consolidated)**

Consolidated Financial Statements for  
2020 and Consolidated Directors' Report,  
together with Auditor's Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A.,

### Report on the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

#### Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Recognition of revenue and margins by reference to stage of completion

### Description

The Group engages mainly in the manufacture of rolling stock material and, in relation to long-term construction contracts, as indicated in Notes 3-f and 12 to the accompanying consolidated financial statements, it generally recognises the revenue and profit or loss on each contract by reference to the estimated stage of completion thereof, obtained on the basis of the hours incurred in the contract as a percentage of the total budgeted hours. The revenue recognised in 2020 on train contracts by reference to the stage of completion amounted to EUR 1,222 million.

Determination of the stage of completion involves a high degree of complexity and estimation by management in relation to, inter alia, the estimation of the total costs to be incurred in each contract, the percentage of the total budgeted hours allocated to each contract or the estimation of the margin taking into consideration the expected revenue and the expected contract costs.

Therefore, the recognition of revenue and margins by reference to the stage of completion was a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included a combination of tests on the operating effectiveness of the relevant controls that mitigate the risks associated with cost allocation in the projects, as the basis for estimating the total costs yet to be incurred, and substantive analytical tests and tests of details. In this regard, we performed, inter alia, tests to verify that the aforementioned controls operate effectively, including the information system controls, for which we involved our internal technology and systems experts.

Also, we performed a detailed and case-by-case analysis of a selection of the main projects, based on qualitative and quantitative factors, in order to evaluate the reasonableness of the assumptions and hypotheses used by the Group, for which purpose we held meetings with Group personnel. In addition, we reviewed the consistency of the estimates made by the Group in 2019 with the actual data for 2020 and conducted other substantive procedures such as: detailed perusal of the most significant contracts and analysis thereof with management in order to obtain an appropriate understanding of the terms and conditions agreed upon; analysis of whether the revenue had been properly recognised, taking into account the contractual terms and obligations vis-à-vis the customers; tests of details on a selective basis aimed at evaluating the reasonableness of the estimates made by management, and the review of the most sensitive assumptions; and the performance of combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue accounts.

Notes 6 and 12 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's revenue recognised by reference to the stage of completion.



## Provisions and contingent liabilities arising from commercial contracts

### Description

It is standard practice in the industries in which the Group operates for long-term construction contracts to provide for significant penalties arising primarily from not meeting delivery deadlines or from breaches of other contractual obligations, as well as of obligations of any other kind relating to its activities that require the recognition of liabilities.

The estimation of the provisions required is a key matter in our audit because normally this type of breach comes to light in the framework of negotiations with the customer in order to acknowledge the incidents or modifications that usually cause the delays or breaches of the terms and conditions accepted during the performance of contracts.

As described in Note 12 to the accompanying consolidated financial statements, the provisions recognised by the Group to cater for these obligations amounted to EUR 134 million recorded as a reduction of "Trade Receivables for Sales and Services" at 31 December 2020. Also, Notes 12, 20 and 26 include the disclosures of the main litigation and claims involving the Group arising from these obligations.

In this connection, the assessment performed by management to determine, if appropriate, the recognition of those obligations is complex and involves the use of a significant level of judgement based on assumptions with respect to possible events occurring during the product construction process, including the identification of causes not attributable to the Group.

Accordingly, the situation described was considered to be a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the detail of the estimates made by management in relation to the situation of each project and the provisions recognised. For a sample of contracts, obtained on a selective basis, we performed substantive procedures aimed at evaluating the reasonableness of the estimates made by management by comparing those estimates with the terms and conditions included in the aforementioned contracts and with the obligations arising therefrom, the circumstances prevailing in those contracts and historical experience.

In addition, we compared the estimates made with the legal documentation (the contract itself, legal opinions, confirmation letters from lawyers, etc.), involving our internal infrastructure project specialists in order to evaluate, in certain significant projects, the assumptions made by management, and with the correspondence with customers in order to evaluate the reasonableness of the judgements applied in relation to the completeness of the provisions recognised. We also performed analytical procedures to review the consistency of the estimates made by the Group in 2019 with the actual data for the contracts in 2020.

Lastly, we also evaluated the adequacy of the disclosures provided in the consolidated financial statements (see Notes 12, 20 and 26).

## Impairment of goodwill and other intangible assets

### Description

Note 7 describes the goodwill and other intangible assets for each of the cash-generating units (CGUs) identified by the Group. In this connection, the goodwill and the intangible assets with a finite useful life corresponding to Solaris amount to EUR 187 million.

The Group tests goodwill for impairment annually and, whenever there are indications of impairment, for the other assets, to determine the recoverable amount thereof and, as the case may be, the need to recognise an impairment loss.

To do so, the Group tests each of the aforementioned CGUs for impairment using discounted cash flow-based valuation techniques, for which purpose it employs cash flow projections aligned with projected earnings, which were revised to reflect the best estimate of the current pandemic situation, and investments in non-current assets and current assets, as well as other assumptions obtained from the strategic plan.

Also, a discount rate is determined on the basis of the economic situation in general and of that of each CGU in particular.

The performance of these estimates requires the application of significant judgements, as described in Note 7 to the accompanying consolidated financial statements, which together with the magnitude of these items, led us to determine this matter to be a key matter in our audit.

### Procedures applied in the audit

Our audit procedures included, among others, the obtainment of the analysis performed by management and the verification of the consistency of the methodology used in 2020 with that of the previous year, performing tests on the clerical accuracy and the logic of the impairment test, in order to evaluate whether it was prepared in accordance with the content of the regulatory financial reporting framework applicable to the Group.

In this connection, our review included, inter alia, the identification of the significant assumptions and the evaluation of the reasonableness thereof. For this purpose, we analysed whether the future cash flow projections were consistent with the budgets and with external data for the industry in which the Group operates, and also performed a sensitivity analysis of those key assumptions.

We involved our internal valuation experts in order to evaluate, mainly, the methodology used and the discount rate applied, performing an evaluation based on general market indicators, and the long-term growth rate, the reasonableness of which was evaluated by checking the calculations detailed by the Group.

We also retrospectively reviewed the predictions made in prior years in order to identify bias in management's assumptions, and evaluated the historical achievement of budgets in order to evaluate the reliability of the estimates made by management.

Lastly, we checked that the disclosures included in Note 7 to the accompanying consolidated financial statements in connection with this matter were in conformity with those required by the applicable accounting regulations.

## Sales cutoff at year-end

### Description

As described in Note 3-f to the consolidated financial statements, the Group recognises revenue from bus segment contracts when the control of the assets is transferred to the customer and establishes clauses for the delivery terms and conditions and the control thereof. Such clauses usually determine when ownership is transferred, although in order to establish when a transaction accrues, it is also necessary to analyse the specific transfer of the related risks and rewards.

The revenue recognised in 2020 relating to bus segment contracts amounted to EUR 725 million.

The evaluation of the interpretations made by management was a key matter in our audit for determining the appropriate cutoff for the year ended 31 December 2020.

### Procedures applied in the audit

Our audit procedures included, among others, choosing, on a selective basis, a sample of sales performed at 2020 year-end and at the beginning of 2021, analysing the clauses established in each transaction with the customer and evaluating compliance with the terms and conditions for revenue recognition. Also, we requested written confirmation for the aforementioned sample in order to check with customers that the sales had actually been performed at year-end.

Notes 6 and 12 to the accompanying consolidated financial statements contain the Group's disclosures and information.

## Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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## **Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements**

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description in the Appendix forms part of our auditor's report.

## **Report on Other Legal and Regulatory Requirements**

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### **Additional Report to the Parent's Audit Committee**

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 25 February 2021.

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## Engagement Period

The Annual General Meeting held on 15 June 2019 appointed us as auditors of the Group for a period of two years from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterrupted since the year ended 31 December 2001, taking into account the content of Article 17.8 of Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Pablo Mugica

Registered in ROAC under no. 18694

25 February 2021

## Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

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### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**2020 DIRECTORS' REPORT**  
**OF**  
**THE CONSOLIDATED GROUP**

*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](http://www.caf.net)). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*



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## 1 - CAF GROUP BUSINESS MODEL AND OUTLOOK

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 constitutes its main historical activity, the Group offers a wide range of products that includes, among others, from high-speed trains, to regional and commuter trains (diesel and electric), metros, trams and LRVs or locomotives.
- With regard to buses, the Group offers a wide range of zero-emission full-battery and hydrogen fuel cell powered buses that maintained their leadership position in Europe in 2020 (Solaris received the Global e-Mobility Leader award for its contribution to the development of zero-emission transport across the world). Its product range is completed with low-emission buses powered by conventional combustion engines, although their importance in Solaris' activities is decreasing, a reflection of the market trend.
- In order to increase its value offering in sustainable mobility and contribute to decarbonisation, CAF Group is adopting a significant role in hydrogen solutions, such as the following:
  - Railways: Europe has chosen the consortium led by CAF to develop a hydrogen train prototype
  - Buses: Solaris has joined the European Clean Hydrogen Alliance

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.

With a strong presence in the international market and with particular focus on Europe, the Group has various factories in countries such as Spain, Poland, UK, France, the US, Mexico and Brazil. The Group also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. This information can be found on 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.

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 significant backlog and repeat business from our customers.

### Experience in global sustainable mobility



> 200 rolling stock projects



> 20,000 buses



> 50 markets

2020 was a year marked by the pandemic. It should be noted that rapid execution of the contingency plan, combined with the close relationship with stakeholders, enabled CAF to significantly mitigate the impact of COVID-19 in 2020. The measures adopted by the Group are explained in the non-financial information statement (NFIS).

In the next few years, with the reservations concerning the evolution of COVID-19, the Group aims to recover the levels of profitable growth prior to the pandemic and improve its sustainability rating.

The main reasons supporting these expectations are as follows:

- Perspectives for recovery of the railway and urban mobility transport sectors. These perspectives have been ratified by the UNIFE 2020 World Rail Market Study in the case of railways.
- Continuous development of urban e-mobility in which CAF Group is well positioned with its combined offering (railway and bus).
- Inherent sustainability of railway transport in general.
- Firm commitment of authorities to sustainable mobility, through the impetus of the European Green Deal, as part of the European Restructuring Plan, in which the Group aims to maximise its participation.
- CAF Group's positive rating from, and relationship with, all its stakeholders.
- Systematic, recurring application of expense containment programmes, as well as cost and inventory reduction.
- Roll-out of the Corporate Management Model as a tool for obtaining synergies and improving Environmental, Sustainability and Governance (ESG) indicators, following the principles and commitments stated in our Sustainability Policy.

Lastly, CAF Group aims to extend its offering of solutions and consolidate its position as a benchmark in the most important geographical areas with regard to collective mobility, through actions to make mobility systems across the world more sustainable, effective and safe. These actions will include:

- Making progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continuing investments in the technological development of sustainable mobility solutions such as hydrogen, energy accumulation, eco-design, etc. in which the Group is a leader.
- Consolidating our value proposal for customers through the commercial and technical development plans of our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, CAF MiiRA and CAF Engineering & Modernizations, among others) in order to diversify our integrated mobility offering.
- Consolidating international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.

In short, in an increasingly competitive market, the ongoing pursuit of solutions adapted to our customers' needs that increase their satisfaction is part of the Company's DNA, and forms part of the culture shared by all the individuals forming part of the CAF Group, thereby providing a balanced response to the needs of its stakeholders.

## 2 - BUSINESS PERFORMANCE AND RESULTS

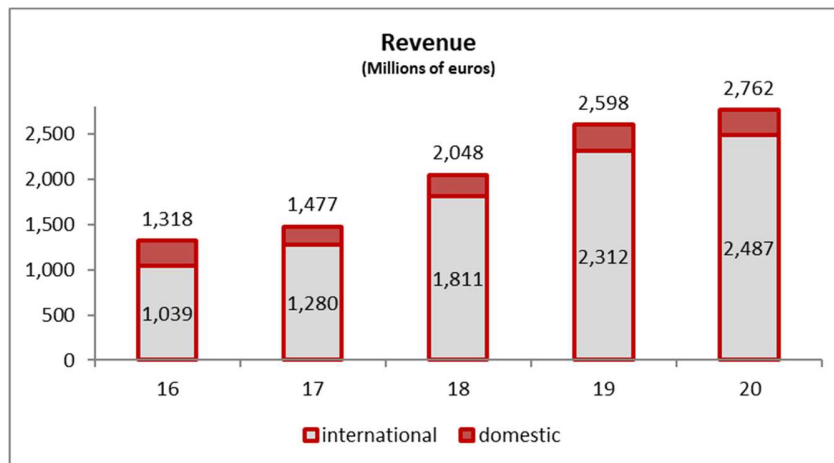
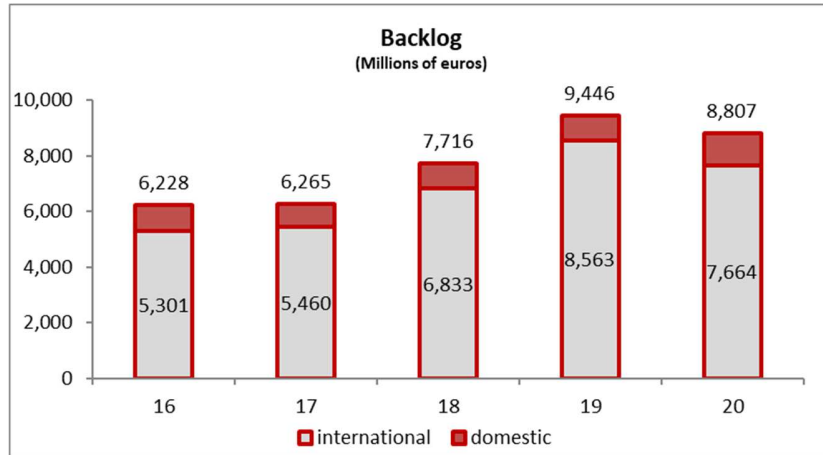
### Main indicators (\*)

Figures in millions of euros	2020	2019	Change (%)
<b>Contracts-</b>			
Backlog	8,807	9,446	-7%
Contracts in the year	2,123	4,066	-48%
Contracts to Revenue ratio	0.77	1.57	-51%
<b>Profit and Cash-Flow-</b>			
Revenue	2,762	2,598	6%
EBITDA adjusted	201	244	-18%
Cash-Flow	90	106	-15%
Investment in current assets	52	112	-54%
Investment in P, P & E and R&D+i	49	77	-36%
<b>Capital management and liquidity-</b>			
Net financial debt	311	434	-28%
Equity attributable to the Parent	633	733	-14%
Available liquidity	1,115	914	22%
Net financial debt to EBITDA adjusted ratio	1.54	1.78	-13%
<b>Proposed dividend per share</b>	0.000	0.842	-100%

(\*) The indicators' definitions are included in the "Alternative Performance Measures" section.

- The comparison of the indicators with respect to 2019 must take into account the changes in the scope of consolidation of the Group; in particular, the inclusion of the Euromaint Group in July 2019.
- EBITDA adjusted as a percentage of the Group's revenue stood at 7.3% in 2020 (2019: 9.4%). The decrease is due mainly to the impact of COVID-19 on the Group, which has given rise to inefficiencies as a result of the activity stoppages.
- With regard to the financial position, the Group's soundness is of particular note, together with the reduction of the Net Financial Debt/EBITDA ratio to 1.54, representing a fall of 13% compared to 2019.
- In difficult circumstances for the Group, it has increased its available liquidity to around EUR 1,115 million, 22% up on 2019, demonstrating the Group's financial strength.
- Working capital expenditure fell by 54% to EUR 52 million, the lowest level in the last decade as a result of the favourable conditions of the projects in the backlog and the Group's focus on cash management during the pandemic.
- Contracts totalled EUR 2,123 million, despite the slowdown in award processes.

- The backlog stands at EUR 8,807 million, remaining at high levels despite the increase in revenue and fewer new contracts. This figure guarantees that the Group will be able to continue to carry on its normal activity and consolidate its excellent position to once again reach record highs in terms of the awards of contracts forecast in the railway market in 2021.



### **3 -RAILWAY SEGMENT**

#### **COMMERCIAL ACTIVITY**

Marked by the COVID-19 pandemic on a global level and the restrictions on people's movement, 2020 could be called a "metric year" in our particular railway history. Firstly, in chronological order, this is due to ADIF's award to CAF Signalling of the project to replace the existing telephonic block signalling system on the León-Guardo line between the Asunción Universidad (León Capital) and Guardo (Palencia) stations with a new automated system remotely controlled from the Centralised Traffic Control (CTC) centre. This action will result in an increase in both the line's capacity and the reliability of the facilities. Secondly, the epithet "metric" could also be given to the year as a result of the new contracts with Renfe, Euskotren and Mitsubishi Corporation, involving a total of 82 units, all of which are metric-gauge, and the manufacture of more than 350 cars.

In the only project it awarded for the supply of rolling stock in 2020, Renfe entrusted our company with the development of the two batches of metric-gauge trains, the tender process for which began in 2019. This included a total of 37 trains, of which 31 will increase the available fleet to travel on the lines of the extinct FEVE service, which now form part of the ADIF network, operated by Renfe Viajeros, and 6 will completely replace the existing fleet that provides a captive service on the Cercanías commuter train line C-9 service in the centre of Madrid.

This project is the first to be awarded by the Renfe Group among the almost EUR 5,000 million to be awarded as part of its fleet expansion and renewal plans, and we are extremely proud to have earned its trust to cooperate in its expansion and modernisation plans.

To provide service on its rail network, Euskotren has chosen CAF to manufacture 4 new electric units making up the Series 980, which will operate alongside the Series 900 and Series 950, currently in service and also manufactured by us in the past.

Mitsubishi Corporation has once again shown its trust in CAF, displayed in the past in projects such as Line 1 of the Manila Light Rail Transit System in the Philippines, the Istanbul Metro and the construction of a transport system in Canberra, Australia. On this occasion, the project is backed and financed by the Japanese Government and was formalised by the Ministry of Transport and Communications of the Republic of the Union of Myanmar. Our units will service the circular railway of Yangon, which is the country's most important commercial city, and also on the line that joins the city to the capital, Naypyidaw, and to Mandalay, the second most important commercial centre after Yangon.

Returning to the signalling business, and to the Iberian Peninsula, with the same aim of increasing line capacity and improving the reliability of its systems, ADIF awarded CAF Signalling the construction project for the single-track section automatic clearing block system (BLAU) with Centralised Traffic Control (CTC) for the Arahál-Fuente de Piedra route between the provinces of Seville and Malaga.

Also, CAF Signalling entered into an arrangement with the Bulgarian National Railway Infrastructure Company (NRIC), as a member of the "ERTMS CA Voluyak DZZD" consortium, to refurbish and modernise the signalling and telecommunications systems of the section of line connecting the capital Sofia to the village of Voluyak; this route includes the stations of Sofia Central, Obelya and Voluyak and is a strategic project for Bulgaria, as it involves the renovation of the security and signalling systems at Sofia Central, the country's main station and transport hub.

In Europe, CAF has renewed the trust held with several customers. Accordingly, CAF entered into a framework agreement with Ente Autonomo Volturno, a company from the Italian region of Campania, which is in charge of the regional and urban public railway transport service, for the supply of up to ten metro units and the integral maintenance thereof for a period of three years. These new trains will service the Piscinola-Aversa Centro line of the City of Naples metro network.

In the Netherlands, specifically in relation to the capital Amsterdam, GVB Activa B.V., a public company in charge of the city's transport operations, exercised a first option to expand the current supply in order to increase the number of trams to be provided to 72 units. It should be noted that they are bidirectional low-floor vehicles which combine modern design with state-of-the-art equipment, providing maximum accessibility and comfort as well as top performance and ease of use. An agreement was also reached to increase the fleet to 54 units in the province of Utrecht.

A similar situation has occurred in the Swedish capital of Stockholm, where SL AB (Storstockholms Lokaltrafik) exercised a new option to expand the current supply in order to increase the number of trams to be provided, which are specially adapted to the Nordic country's extreme weather conditions, to 52 units.

In the Finnish capital of Helsinki, HKL (Helsingin Kaupungin Liikennelaitos), the company in charge of operating the city's public transport systems, ordered new units from CAF, which will take the total number of suburban line trains manufactured by our Group to 25.

In Belgium, the Flemish bus and tram public operator, De Lijn, exercised one of the extension options included in the contract signed in 2017, increasing to 40 the tram units to service the city of Antwerp and to 88 the total number of trams to be supplied to date.

The various initiatives taken in the maintenance business line have been proven fruitful as contracts have been obtained throughout Europe and in the American continent.

In Norway, the VY Group, which is owned by the Norwegian Government through the Ministry of Transport and Communications and operates the service on the Oslo-Bergen railway line, ordered from CAF, through the latter's subsidiary Euromaint, the maintenance of the rolling stock that provides service on that line, known as Bergensbanen, for the next nine years.

In Northern Ireland, CAF finalised an agreement to extend its maintenance contract for 15 years with Translink, the Northern Ireland public railway operator, for its Series 3000, thereby making us its only maintenance company for this Series in the 30 years it has been in operation.

In Italy, AMAT S.p.A, the Palermo public entity in charge of managing transport in Sicily's capital city, engaged CAF to carry out the maintenance for the next four years of its fleet of trams serving the city, one of the most modern tram systems in Italy.

The Medellín metro awarded CAF the long-cycle maintenance checks for 35 units manufactured by our Company. This contract will mean the continuation of the activity already carried out from the date these units were placed into operation.

In Spain, the Malaga Metro engaged us to provide the maintenance service for the next five years, and Ferrocarriles de la Generalitat Valenciana chose CAF to undertake the average-life maintenance service for the motor bogies and push-pull cars of the units of Metrovalencia's 4300 Series trains.

Lastly, but by no means less importantly, the Fuel Cells and Hydrogen Joint Undertaking (FCH JU), the European Commission agency charged with boosting development of fuel cell and hydrogen energy, selected the proposal led by CAF, together with a large group of companies of the calibre of Renfe and Adif, to name just two, to develop a hydrogen train prototype (H2020). In its various phases, this project will encompass the design and manufacture of an innovative prototype, as well as the testing required for its validation and approval. The aim is to obtain a zero-emission product that can compete, in terms of operating performance, with current diesel trains, both new design and refurbished vehicles.

Enterprising initiatives, such as the initiative recognised by the European Commission, are a source of pride and recognise our role as an active force in the fight for decarbonisation and our efforts to provide sustainable mobility solutions that respect the environment.

## **INDUSTRIAL ACTIVITY**

With a total of 1,024 cars manufactured, 2020 ended with remarkable figures for the CAF Group's industrial business. Together with the more than 54,000 wheels and other rolling stock components dispatched to more than 20 countries worldwide, the figures were among the best in recent years.

Several manufacturing projects were completed in 2020. These included the two projects with the UK operator Northern Arriva which took delivery of the last 6 DMU (Diesel Multiple Unit) trains, plus the 6 EMU (Electric Multiple Unit) trains of the 58 trains of the first type and the 43 of the second type that had been ordered. The list also includes the contract for 24 LRVs (Light Rail Vehicles) entered into with the US city of Boston, to which the last 7 trains were delivered, as well as the 27 trains completing the 118 of the first contract signed with the Dutch operator, Nederlandse Spoorwegen, the 2 trains completing the 8 ordered under the contract with the Norwegian customer, Flytoget, and the 11 trains completing the order of 15 units for the Auckland commuter train network in New Zealand.

The 13 trams for Stockholm, in the three-module and four-module formats included in the order for 20, the 7 units for the city of Lund and the 5 LRVs for Mauritius completing the contract for 18 trains also make up this group.

These are some of the 25 projects that were carried out in 2020 at the Group's various production plants. The rest began the early phases of manufacture in 2020 or continued, having commenced in prior years, as is the case of the 12 push-pull cars built for the US operator Amtrak, 3 trains for the Brussels Metro of the 22 ordered, the first 5 trains manufactured for Naples, the first 5 trains of the 30 ordered, in the eight-car format for Manila, 11 medium distance trains for the West Midlands area of the UK, 27 trams, making 33 manufactured of the total 72 ordered by the city of Amsterdam, 11 trams completing the first delivery batch for Luxembourg and 14 trams of the contract for 22 trams for the city of Utrecht.

Also at this stage is the contract for 12 trains for Schönbuchbahn, with the manufacture of the first 4 trains completed, or the first 17 Civity trains for the extension of 88 units ordered by the Dutch operator NS mentioned above.

Lastly, although they are still at an early stage of manufacture, preliminary operations having commenced, there are other projects, such as the project for Maryland in the US for a total of 26 units, the first structural substructures for the contract for 30 units for the Amsterdam Metro or the first manufacturing stages of the project for 20 trams for the city of Liège, as well as the first phases of construction of the push-pull cars for the contract with the Northern Ireland operator NIR.



The most important products manufactured in 2020 were as follows:

<b>No. of Vehicles</b>	
High-speed for Flytoget .....	8
Long-distance Amtrak cars .....	12
Medium-distance Northern by Arriva DMUs (two-car units) .....	6
Medium-distance Northern by Arriva DMUs (three-car units) .....	9
Medium-distance Northern by Arriva EMUs (three-car units).....	18
Medium-distance West Midlands (two-car units) .....	14
Medium-distance West Midlands (four-car units) .....	16
Commuter trains for NS (three-car units).....	69
Commuter trains for NS (four-car units) .....	16
Extension of commuter trains for NS (three-car units).....	27
Extension of commuter trains for NS (four-car units) .....	32
Commuter trains for Auckland.....	33
Napoles metro .....	30
Barcelona s/5000 metro .....	30
Barcelona s/6000 metro.....	15
Bruselas metro.....	18
LRV for Boston .....	21
LRV for Schönbuchbahn .....	12
LRV for Mauricio .....	35
LRV for Manila.....	40
Trams for Budapest (five-module units).....	60
Trams for Budapest (nine-module units).....	9
Trams for Utrecht .....	98
Trams for Luxembourg .....	77
Trams for Amsterdam.....	135
Trams for Stockholm (three-module units).....	33
Trams for Stockholm (four-module units) .....	8
Trams for Freiburg .....	14
Trams for Lijn .....	65
Trams for Oslo .....	15
Trams for Lund.....	35
Trams for Vitoria-Gasteiz .....	14
<b>TOTAL .....</b>	<b>1,024</b>

#### **BOGIES**

With mechanic-welded chassis .....1,308

#### **WHEEL SETS AND COMPONENTS UNITS – (Miira)-**

Assembled axles (power car + push-pull car) .....	5,445
Loose axle bodies .....	8,387
Monoblock wheels.....	54,882
Elastic wheels .....	2,997
Couplers .....	706
Gear units .....	2,790
Bandages .....	718

## R&D+i ACTIVITY

The CAF Group's new Innovation Plan for 2020-2021 was defined in the first months of 2020, which is aligned with the Strategic Plan.

The Innovation Plan of the CAF Group rail segment envisages a total of 166 projects, 115 of which are in the Corporate R&D Plan and 51 are in the product plans of the various businesses.

The aforementioned projects obtained funding through grants for R&D activities from the following entities:

- Provincial Government of Guipúzcoa
- Basque Autonomous Community Government
- Spanish Ministry of Economic Affairs and Digital Transformation
- Spanish Ministry of Science and Innovation
- European Commission

Projects in which CAF, CAF I + D and different subsidiaries participate have been promoted in the Plan implemented, having continued to collaborate very intensively with different technology centers and universities.

The projects included in the 2020-2021 Innovation Plan encompassed the following fields:

- Specific rolling stock products.
- Digitalisation: projects using Big Data, artificial intelligence and digital twin technology to gather and process data obtained in service for use in product and maintenance enhancements.
- Sustainable vehicles and energy management, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and the development of alternative propulsion systems to diesel, such as those based on battery energy storage and hydrogen fuel cells.
- Signalling (on-board and fixed).
- Development of technologies for autonomous driving.
- Virtual validation and approval environments.
- Specific products and developments using basic rolling stock technologies, traction, wheel sets and axles, gear units, control and communications, maintenance, etc.

All of the above combined the execution of projects aimed at assimilating technologies with the development of products based on such technologies and strategic projects.

The CAF Group participates in joint projects at state level and also as part of the European Union's Framework Programme (H2020). Noteworthy projects included:

- SHIFT2RAIL. As a founder member of the Shift2Rail JU (Joint Undertaking), which promotes rolling stock R&D activities as part of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT1, IMPACT2, CONNECTA 2, PINTA 2, X2RAIL 1, X2RAIL 2, X2RAIL 3, X2RAIL 4, PLASA 2, FINE 2, IN2STEMPO, IN2SMART2, FR8HUB, FR8RAIL 2, FR8RAIL 3, IMPACT 2, LINX4RAIL) which are scheduled to continue until 2022.

- CLUG, a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to a SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and Digital Maps.
- iRel40, a project promoted by the European electronics industry with the general aim of making reliability a differentiating factor for electronic components and systems manufactured in Europe, with CAF's particular objective being to apply it to its electronic systems developed in-house.
- REALTRAIN, which is part of CAF's strategic digitisation initiative and is aimed at developing a new generation of more competitive trains and services through the digitally secure capture, storage, processing and advanced analysis of all the train operations data.

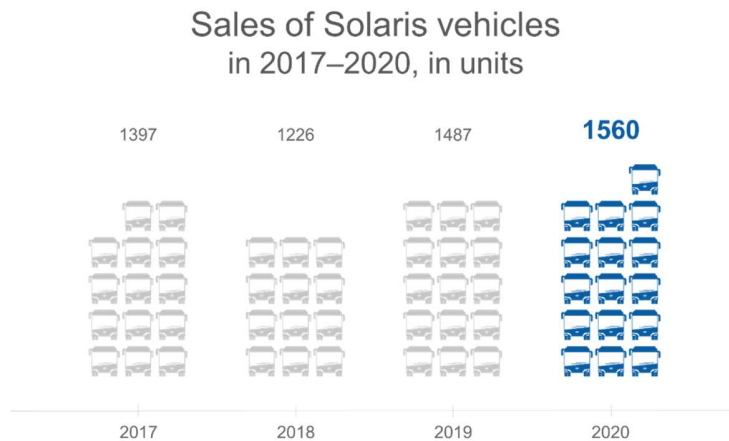
The most significant engineering projects undertaken in 2020 were as follows:

- Trams for Amsterdam (The Netherlands)
- Locomotives for the RATP (France)
- Electric multiple units for Schönbuchbahn (Germany)
- Automated metro for STIB (Brussels)
- DMUs for West Midlands (UK)
- Metro Naples (Italy)
- LRVs for Manila (Philippines)
- Metro Barcelona (Spain)
- Metro Amsterdam (The Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension trams Freiburg
- Tram of Liège
- DMUs for Wales & Borders (Keolis)
- Intermediate cars and rehabilitation of Units for NIR
- Tram for Parramatta
- Refurbishment of Units Metro of Medellin
- Extension of Units Civity for NS (The Netherlands)
- Trams for Lijn (Antwerp)
- Units of Metro for Docklands (London)
- DEMU Long Regional for Transport of New South Wales (TfNSW)
- Tram of Birmingham
- Tram of Jerusalem
- Trains TET AMLD SNCF
- Metric-gauge and Alpine trains (Cercedilla – Los Cotos) for Renfe

## 4 - BUS SEGMENT - SOLARIS

In 2020, most economies in the world had to face unprecedented challenges. The past few months have also been difficult for the European public transport sector and companies manufacturing vehicles in this sector of the automotive industry. The COVID-19 pandemic and related restrictions prompted Solaris to establish special procedures and to develop solutions to maintain the continuity of its business activities. However, the company has proved that, even in the toughest of times, it keeps promises made to its clients and business partners. The great deal of effort the whole organisation and its employees have put into continuing its activities and implementing protective measures have thus yielded tangible results.

In 2020, Solaris recorded a substantial increase in sales and revenues and, what is more, all these were record numbers. In 2020, a new record for the number of sold vehicles was established, 1,560 units, which is the highest number ever achieved in Solaris' 25-year history. Compared to 2019, this represents a rise of nearly 5% (1,487 units in 2019).

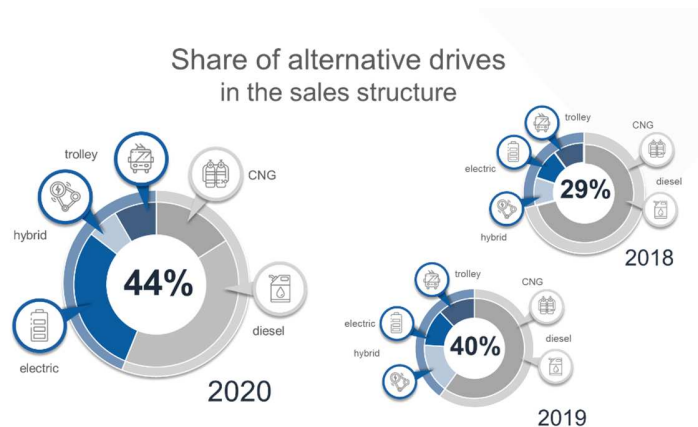


In the period in question, Solaris buses and trolleybuses made their way to carriers in 19 countries. The largest numbers of vehicles were delivered in 2020 to Germany, Poland, Italy, Estonia, Czech Republic, Israel, Switzerland and Spain.

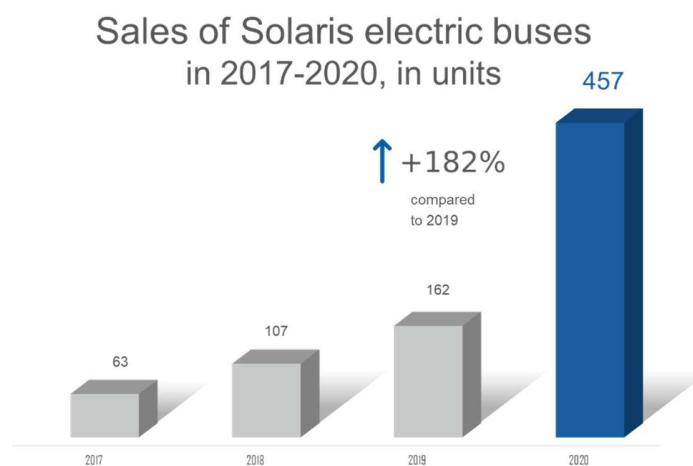
Moreover, 2020 was a record year for Solaris in terms of the number of vehicles sold in Germany. The bus manufacturer supplied a total of 329 vehicles to German public transport operators, out of which 40% were 12- and 18-metre (articulated) battery electric buses.

Also worthy of note is that Solaris became the market leader for low-floor city buses in Poland for the 18th year in a row, by achieving a 53% share in this segment. This translates into a year-on-year increase in the company's market share in Poland of 11% (42% in 2019). The Solaris buses sold in Poland in 2020 included primarily electric buses (194 out of 365 units sold in total). The whole fleet of Urbino electric buses in Poland amounts to over 320 vehicles, supplied to 27 towns and cities, i.e. they make up as much as 90% of all e-buses in the country.

Importantly, in 2020 Solaris recorded a particularly impressive growth in sales of buses with low- and zero-emission drives. In 2018, hybrid buses, e-buses and trolleybuses constituted in total 29% of all vehicles sold by the manufacturer. In 2019, this figure stood at 40%. This trend was continued in 2020 leading to the number of sold vehicles with alternative drives growing to up to 44%. Dynamic growth in the share of electric buses in the production and sales mix of Solaris is consistent with the long-term development strategy of the firm.



In 2020, Solaris was the largest manufacturer of city e-buses in Europe, claiming a share of 20%. Last year, the company supplied a total of 457 electric buses. This was nearly three times more than in the previous year, when 162 Urbino electric units, made their way to clients.

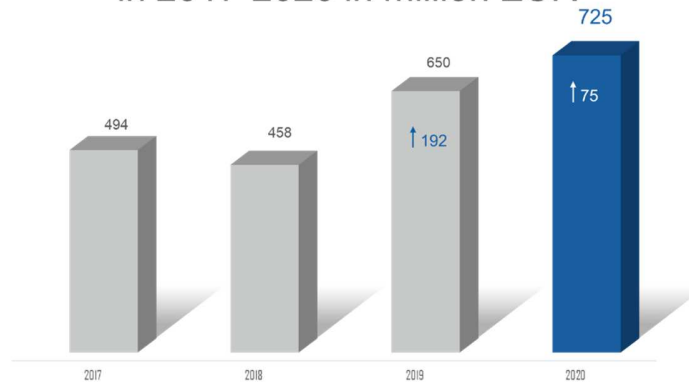


The biggest contracts for the supply of electric buses executed in 2020 included a delivery of 130 articulated Solaris Urbino electric buses for public transport operator Miejskie Zakłady Autobusowe in Warsaw, 90 Solaris Urbino electric buses for operator ATM in Milan, and 106 e-buses for Berlin-based public transport company BVG.

Also noteworthy is the fact that the jubilee Urbino bus, i.e. the 20,000th vehicle produced since 1996 (i.e. since the founding of the company), was one of the 130 e-buses delivered to operator MZA in Warsaw. So far, Solaris buses have been delivered to 32 countries and over 750 towns and cities. The impressive number of 20,000 consists of, among other things, over 1000 e-buses that already cruise along streets in 18 countries, operated by almost 100 European carriers.

The higher share of innovative battery and hybrid technologies in the sales volume in 2020, as well as the company's intensified activities in the areas of after sales service and spare parts sales, are reflected in a considerable increase in the company's revenues. Last year, they amounted to over EUR 725 million, (EUR 650 million in 2019).

## Solaris revenue in 2017-2020 in million EUR



In 2020, the manufacturer won significant tenders for the delivery of electric buses in 2021 or later. The order book for 2021 contains, among other things, 50 articulated Urbino electric buses for operator MPK in Cracow, 37 e-buses for operator MPK Poznań, and 16 zero-emission buses for the Romanian city of Craiova. Solaris also made it onto the shortlist of suppliers to deliver up to 530 electric buses for German operator Hamburger Hochbahn. The carrier from Hamburg only placed its first order for 10 electric buses in 2020. In 2021 Solaris e-buses will be also delivered to operators from France, Latvia, the Netherlands, Spain, Italy and Switzerland.

The contribution of Solaris to the development of the e-mobility market was appreciated in 2020, for instance, by the organisers of the Global E-mobility Forum. During the event, which gathered representatives of governments, scientists and world industry leaders, the company was awarded the title of Global e-mobility leader 2020.

Solaris has been strengthening its position as Europe's e-mobility leader not only through the development of electric battery vehicles, but also by investing consistently and in the long term in the perfection of solutions implemented in hydrogen buses. The manufacturer believes that the development of all e-mobility branches, be they battery buses, trolleybuses or hydrogen-fuelled vehicles, should proceed in synergy, and that this process is part and parcel of ensuring sustainable transport for the future. Currently, Solaris offers its clients a comprehensive emission-free bus portfolio thanks to which Solaris is ready to meet not only today's challenges of ensuring sustainable public transport but also the diverse needs of carriers, passengers and drivers.

According to market forecasts, the hydrogen-fuelled city bus segment will grow dynamically in Europe over the next 10 years. Having won several significant tenders for the delivery of hydrogen vehicles in 2020, the company has proved that it is ready for the market's fast-changing needs. The bus maker secured orders for the supply of hydrogen buses from operators in the Germany, the Netherlands, Italy and Sweden.

The development of new products and commencing their serial production, as well as the sale of cutting-edge solutions, are naturally key elements that account for Solaris' market advantage in Europe. In 2020, the company presented a completely new type of electric bus measuring 15 metres. The low-entry Solaris Urbino 15 LE electric bus opens a new chapter in the development of the Solaris brand, as from now on the Urbino electric can go beyond city boundaries. This is also a breakthrough moment for intercity transport as regards its transition to emission-free mobility. The tri-axle Urbino bus is the first product in Solaris' electric range that meets the requirements for both the first and second vehicle class, and also for both these classes at the same time. This means that the bus can be operated both as a city bus and on intercity routes. Thanks to the batteries' high energy density, the vehicle can cover a distance of up to several hundred kilometres on a single charge in real-life conditions. This solution will make it possible for operators to plan zero-emission routes not only within city confines but also beyond them.

Another brand new product unveiled by Solaris last year was a mild hybrid model. Diesel-electric drives as such are nothing new in the Solaris range. The first Urbino hybrid bus was unveiled in 2006. Back then, Solaris was the first European producer to offer a serially produced bus with a hybrid (diesel-electric) drive. However, the mild hybrid is a novel solution. It is a response to the needs of public transport operators for innovative urban transport vehicles which minimise the impact of such transport on the natural environment, while at the same time allowing them to reduce fuel consumption and to generate considerable savings. This type of drive was developed by using recuperation technology in buses - a technology that uses energy generated during braking. Thanks to it, mild hybrid vehicles release less pollutants and are more environmentally friendly than required according to restrictive Euro 6 emissions standards for diesel engines. The launch of the mild hybrid model has enriched Solaris' existing portfolio when it comes to low-emission vehicles: the Urbino hybrid and the Urbino CNG.

The year 2020 and the COVID-19 pandemic posed new challenges to many companies from the public transport sector. For public transport operators, new needs concerning improving the safety of passengers and drivers have emerged. Solaris responded to these needs very swiftly and in July 2020 it unveiled an "anti-coronavirus" package to minimise the risk of infection among those who have to travel during the pandemic. The solutions have been devised for both newly manufactured vehicles, as well as those which have already been delivered to clients.

All of the proposed solutions have already been tested in real-life urban conditions. What is more, Solaris has also drafted detailed recommendations for its clients regarding the use and maintenance of ventilation and air-conditioning in buses. These concern, among other things, the frequency and manner of washing and of disinfecting the air-conditioning, or the exchange of filters and the compatible types. Thanks to these instructions, it is possible to enhance the safety of passengers and to limit the risk of spreading infections in the bus.

In addition to new products that Solaris launched on the market in 2020, a development project initiated by the company called "A second lease of life for batteries" is also worth mentioning. A consortium comprised of Solaris and Impact Clean Power Technology S.A., in collaboration with TAURON Polska Energia, will implement a project titled "Second Life ESS" with the aim of creating a prototype system to store electric energy based on retired bus batteries. The project is being co-financed by the National Centre for Research and Development [NCBiR]. The aim of the project is to utilise lithium-ion cells whose parameters are no longer optimal when it comes to supplying power to vehicles. But thanks to their integration in energy storage systems, they may gain a second lease of life. Thus, the life cycle of batteries that are not disposed of, but reused, is prolonged. A storage system made of used batteries constitutes an important component of the modern grid, combining the generation of energy from conventional and renewable sources with its storage and supply to the final customer. What is more, modern battery storage solutions contribute to grid stability, with a steadily increasing share of renewable energy sources.

They also boost the quality of electricity supplied and support the development of e-mobility and micro-grids. The work, aimed at developing an energy storage prototype system, is due to be completed in 2022.

The year 2020 was a time of unprecedented challenges for many companies, including those from the public transport sector. Even though the continent had to deal with the pandemic from the beginning of the year, Solaris made every endeavour to maintain the continuity of its business activities. Owing to the fantastic and responsible attitude of its employees as well as excellent collaboration with its clients and business partners, Solaris has finished this year with record sales numbers. The company has proved to its clients that they can rely on Solaris even in the toughest of times.

## 5 - INVESTMENTS

Capital expenditure by the CAF Group in 2020 amounted to EUR 23,187 thousand. The most salient investments in 2020 are as follows:

In the MiiRA wheelset line of business, the plan to modernise axle forging included a change in the manipulator and automation of the manufacturing process, which will lead to a reduction in costs and greater project efficiency. In addition, a new cooling facility was implemented in one of the heat-treatment lines, also for the purpose of automating it, thereby improving the control and quality of the process.

As regards the manufacture of trains, the most salient investments in the plan to transform the production model currently underway in the train manufacturing area included the acquisition of equipment for the bogie multiproject manufacturing lines in order to increase efficiency in this operation, the modernisation of the equipment and facilities in the finishing area and the start of work at the Zaragoza plant to adapt and equip a new building where production of the car body structures for the Urbos platform trams will be centralised.

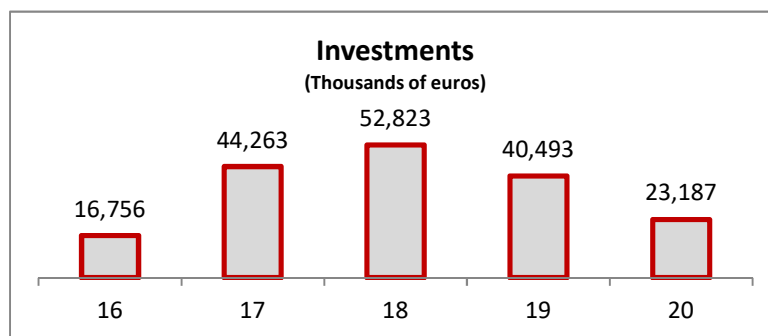
In the digital area, the CAF Group continued with the renewal of the infrastructure for the extension of its storage capacity and the improvement of data processing, without neglecting investment in the security of both the internal and the perimetral network, and increasing capacity and availability in the communication environment.

As regards CAF Track Test Centre, the beginning of 2020 saw the completion of the final work in connection with the investment in the CAF Group's new test track, located in Corella and in operation since 2019, mainly with regard to the latest items relating to electrification (catenary and third rail) and equipping the substations. Also worthy of mention are the investments being made at the CAF Turnkey & Engineering and CAF Signalling subsidiaries, with the extension of the facilities and investment in computer tools and material to cater for the growth in their headcount, given the need to have increased capacity available for the optimum development of their project backlog.

Notable investments outside Spain included the completion of the investment in the Huehuetoca plant in Mexico which commenced in 2019 in order to adapt it to the new projects to be undertaken there. This investment consisted mainly of acquiring and installing the equipment and facilities necessary to manufacture austenitic stainless-steel structures.

The purchase and installation of the equipment for the new finishing warehouse at the plant located in the French town of Bagnères-de-Bigorre, fitted with three vehicle production lines, were completed. This was a necessary investment due to the volume of activity that the CAF Group foresees in France in the coming years.

Lastly, in the bus segment, mention should be made of the important investment plan currently being implemented by Solaris at its Polish plants in Bolechowo and Środa Wielkopolska aimed at modernising and increasing the production capacity of the installed facilities in response to its current high backlog and the subsidiary's forecast growth, principally in the area of the low-emission vehicles and electric and hydrogen bus models.





## 6 - MAIN RISKS AND UNCERTAINTIES

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which might prevent the achievement of its objectives.

With the commitment to addressing this matter, the CAF Group's Board of Directors establishes the mechanisms and basic principles to appropriately control and manage risks through the General Risk Management and Control Policy. This policy, which is aligned with the Group's mission, vision and values, expresses its commitment to providing greater certainty and security in:

- Achieving the strategic objectives set by the CAF Group with a controlled volatility;
- Providing the utmost level of guarantees to shareholders;
- Protecting the CAF Group's results and reputation;
- Defending the interests of stakeholders; and
- Ensuring business stability and financial strength in a sustained way over time.

To do so, the General Risk Management and Control Policy is implemented throughout the entire CAF Group by means of an Integrated Risk Management and Control System. This system constitutes a series of rules, processes, procedures, controls and IT systems, whereby all the risks are appropriately managed by means of the following system phases and activities, which include:

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, in line with the main risks detailed in the Policy, faced by the Group.
3. Analysis of the risks identified and what they entail for the CAF Group as a whole;
  - Corporate Risks – Risks affecting the Group as a whole.
  - Business Risks – Risks specifically affecting each of the businesses/projects, which vary in accordance with the particularities of each of them.
4. Risk assessment based on the defined risk appetite;
5. The measures envisaged to address the risks; and
6. Regular monitoring and control of current and potential risks through the use of information and internal control systems.

The Integrated Risk Management System adopted by the CAF Group detailed above is aligned with international standards as regards the use of an effective methodology for the comprehensive analysis and management of risks and the Three Lines Model in relation to the allocation of responsibilities in the risk management and control area.

In this regard, the Board of Directors is ultimately responsible for the General Risk Management and Control Policy, and approves the appropriate procedures to identify, measure, manage and control risks. It is also responsible for establishing clear lines of authority and responsibility and requires the existence of appropriate methodologies to measure the various types of risks and the effective internal controls to manage them. It is the body responsible for establishing and monitoring the Integrated Risk Management and Control System implemented at the Group and verifies whether the significant risks for the Group are consistent and fall within the defined risk tolerance level.

The Audit Committee is responsible for the independent oversight or assessment of the effectiveness of the Integrated Risk Management and Control System implemented and of the procedures designed to monitor it. To do so it will be supported by the Risk Management Department and additionally by the internal audit function.

The most significant facing the Group is facing can be categorised as follows:

- Strategic risks: these are risks arising from the uncertainty that macroeconomic and geopolitical conditions represent, in addition to characteristics inherent to the industry and markets in which the Group operates and the strategic planning and technological decisions adopted.
- Financial risks: arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:
  - Market risk, which includes the following risks:
    - Interest rate risk: risk of fluctuations in interest rates that might give rise to changes in the Group's profit or loss and the value of its assets and liabilities.
    - Foreign currency risk: risk arising from fluctuations in exchange rates of one currency with respect to another with a possible effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.
    - Commodity price risk: risk arising from changes in prices and market variables relating to commodities required in the businesses' supply chain.
  - Credit risk: this risk relates to doubtful debts, insolvency proceedings or bankruptcy or possible default on payment of quantifiable monetary obligations by counterparties to which the Group has actually granted net credit that is yet to be settled or collected.
  - Liquidity and financing risk: in relation to liabilities, it is the risk tied to the impossibility of performing transactions or breach of obligations arising from operating or financing activities due to a lack of funds or access to financial markets, either because of a drop in the company's credit rating or other reasons. In relation to assets, it is the risk of being unable to find at any given time parties to purchase an asset at the arm's length price or to obtain an arm's length price.

The Group's exposure to market risk and credit risk is detailed in Note 5, "Management of financial risks", and the use of derivative financial instruments to hedge the risks to which its activities are exposed is detailed in Note 17, "Derivative financial instruments", to the consolidated financial statements. Liquidity risk is addressed further in the following section.

- Legal Risks: arising from the preparation and performance of various types of agreements and obligations (commercial, administrative, intellectual property, etc.) and the possible contingencies arising therefrom. Risks relating to legal proceedings, administrative procedures and claims are also included.
- Operating Risks: inherent to all the Group's activities, products, systems and processes that have an economic and reputational impact arising from human/technological errors, insufficiently robust internal processes, or the involvement of external agents.
- Corporate governance risks: arising from potential non-compliance with the Group's Corporate Governance System, which govern the design, integration and operation of the governance bodies and their relationship with the Parent's stakeholders and that in turn are based on the commitment to ethical principles, best practices and transparency and are organised around the defence of the company's interests and the creation of sustainable value.
- Compliance and Regulatory Risks: arising from the breach of applicable national and international regulations and laws irrespective of the activity in question, included in the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market regulations, antitrust and unfair competition), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv)

Tax and (v) Administrative (including personal data protection regulations, environmental laws, etc.).

Due to its global risk scope, the Integrated Risk Management and Control System is continuously updated to include new risks that might affect the Group as a result of changes in the environment or revised objectives and strategies, as well as updates that arise from lessons learned from monitoring and controlling the system.

Mention must be made of the emergence of COVID-19 at global level in 2020. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

Similarly, in 2020 the monitoring and control relating to the measures and action plans established to mitigate the consequences of Brexit continued. The most significant measures focused on reducing the operational risks of the projects for impacts as a result of changes in customs and/or import tariff procedures and the movement of people in various Brexit scenarios.

### ***Liquidity and capital resources***

#### **Availability of liquidity at short term-**

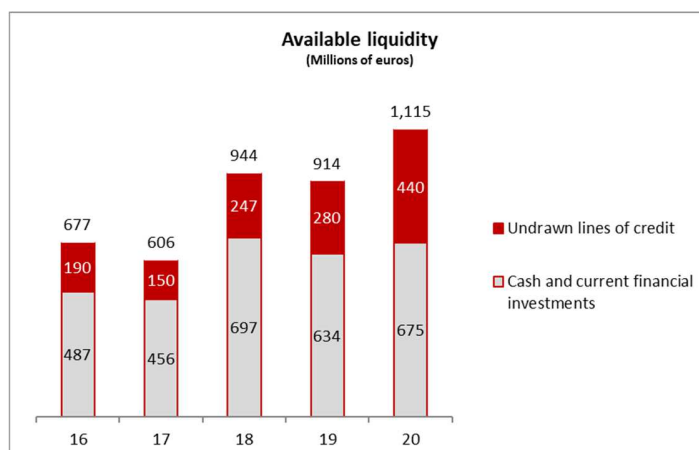
The CAF Group constantly assesses its available liquidity, including cash balances, short-term liquid investments, the availability of lines of credit, access to short-term capital market instruments and the generation of cash flows from operating activities, in order to meet the Group's liquidity needs at all times.

When assessing the CAF Group's short-term liquidity needs, the following factors, among others, are taken into consideration: the historic volatility of the Group's liquidity needs, their seasonality, the maturity profile of the liabilities, the needs arising from investment plans, the expected level of customer advances and the evolution of working capital. To define target levels of available liquidity worse-than-base-case scenarios are taken into consideration.

In December 2017, Construcciones y Auxiliar de Ferrocarriles, S.A. registered on the Irish Stock Exchange a Euro Commercial Paper Programme for a maximum amount of EUR 200 million, which was renewed for annual periods in December 2018 and December 2019, whereby the original amount was increased to EUR 250 million. In 2019 placements were made under this programme, which the Group used as an alternative source of financing to the existing lines of credit, thereby diversifying the source of financing and adding an additional source of liquidity. In December 2020, since the programme registered with the Irish Stock Exchange was not renewed on maturity, it was replaced by a commercial paper issue programme of similar characteristics, which was listed on the Spanish Alternative Fixed-Income Market ("MARF") on December 21, 2020.

Among the main measures to strengthen the liquidity position, and in light of the uncertainty caused by COVID-19, in 2020 the Group increased its financing lines, which contributed to improving the Group's liquidity in the year, to EUR 1,115 million at 31 December 2020 (31 December 2019: EUR 914 million).

Sources of short-term available liquidity include liquid assets, current financial assets and undrawn lines of credit. The evolution of the Group's available liquidity in recent years is as follows:



### Capital structure-

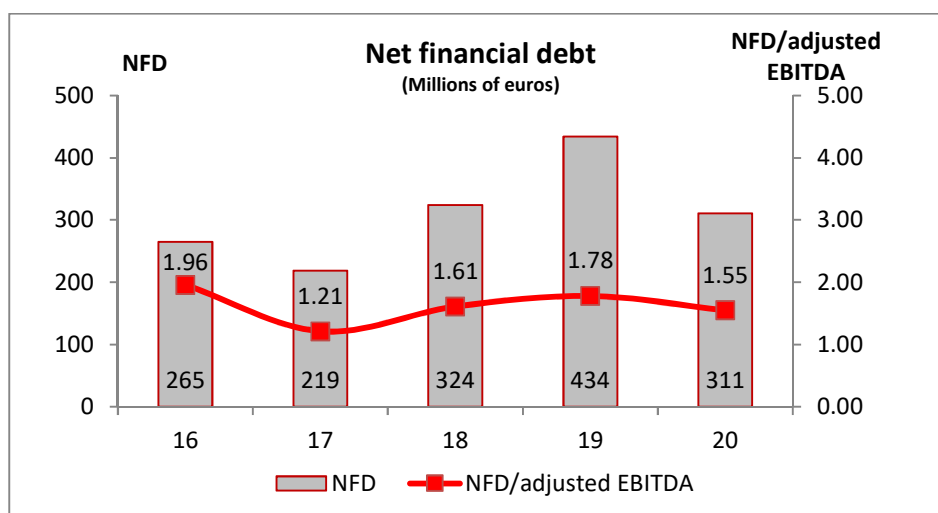
The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital and ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the business activities carried on.

The Group sets as an objective maintaining a leverage ratio and creditworthiness in line with the profile of its businesses.

The CAF Group regularly assesses the appropriateness of its liability structure, and takes into consideration the projected cash flows, the maturity profile of its debt, the foreseeable evolution of its working capital and other future liquidity needs.

In 2018 Construcciones y Auxiliar de Ferrocarriles, S.A. acquired all the share capital of the Polish bus manufacturer Solaris. Also, in 2019 it acquired all the shares of EuroMaint, a leading Swedish train maintenance company. The cost of these acquisitions was financed primarily with additional long-term debt of the Group's Parent. These acquisitions have had a significant impact on the Group's gross financial debt figures, both due to the increase in debt in the Group's Parent company for the purchase of the shares, and due to the incorporation into the perimeter of the Solaris Group.

The main aggregates of the Group's liability structure have performed as follows in recent years:

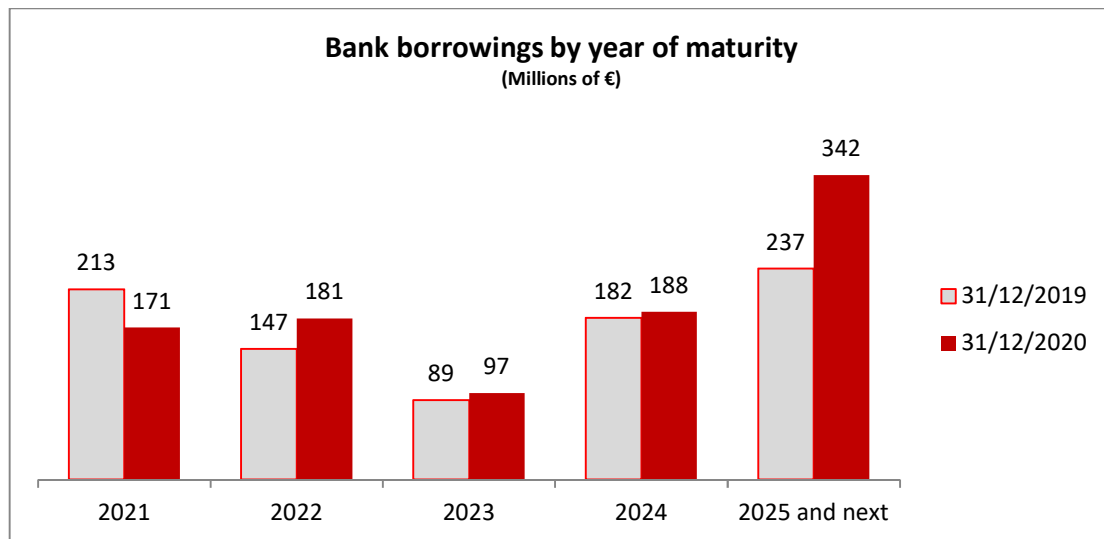


Millions €	2016	2017	2018	2019	2020
Gross debt Concesions	364	283	239	203	142
Gross debt Solaris	-	-	145	168	164
Gross debt Corporative	403	406	650	708	689
<b>Total</b>	<b>767</b>	<b>689</b>	<b>1,034</b>	<b>1,079</b>	<b>995</b>

The good performance of the financial debt figure and the Net Financial Debt/EBITDA adjusted ratio must be highlighted in a year in which the effects of COVID-19 had an adverse impact on both the global macroeconomic environment and the Group's margins.

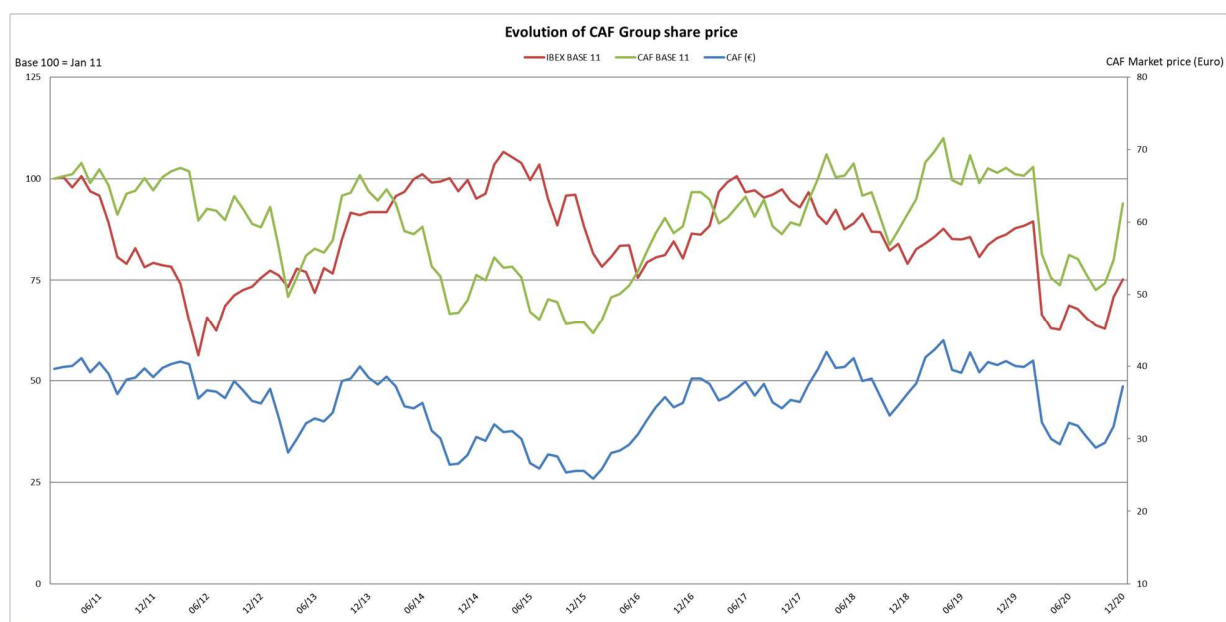
The CAF Group is constantly renegotiating its financial liability structure, in order to minimise borrowing costs and bring maturities into line with its needs, within the possibilities offered by bond markets.

The maturity schedule of the Group's borrowings at 31 December 2020, comparing with the year end of 2019 is the following:



## 7 - STOCK MARKET INFORMATION

	2020	2019	2018	2017	2016
<b>Market price-</b>					
Market capitalisation at year-end (millions of euros)	1,346	1,406	1,241	1,172	1,313
Closing price (euros)	39.25	41.00	36.20	34.18	38.30
Low (euros)	25.20	35.30	31.30	32.22	20.66
High (euros)	43.30	44.90	43.60	39.50	38.39
<b>Data per share (euros)-</b>					
Earnings per share (EPS)	0.26	0.72	1.27	1.24	1.02
Dividend per share	0.00	0.842	0.765	0.66	0.58
<b>Market ratios-</b>					
PER (average market price/EPS)	127.70	56.34	30.14	29.06	30.30
Market average price/EBITDA adjusted	5.71	5.72	6.50	6.84	7.84
PBV (average market price/BV)	1.82	1.90	1.74	1.64	1.37
Dividend yield	0%	2.07%	2.00%	1.84%	1.87%
Pay-out ratio (Dividend/EPS)	0%	117%	60%	53%	57%
<b>Liquidity ratios-</b>					
Free-float rotation	70%	47%	65%	71%	89%
Traded volume (millions of shares)	11.3	8.4	10.8	11.8	15.6



## 8 - EVENTS AFTER THE REPORTING PERIOD

As in December 31 of 2020, there was a firm order book, net of the amounts corresponding to interim billings, for an amount of approximately 8,807,278 thousand euros (9,446,468 thousand euros as of December 31, 2019) (Note 12).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

## 9 - ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2020 neither Construcciones y Auxiliar de Ferrocarriles, S.A. nor its subsidiaries purchased or held treasury shares.

## 10 - PAYMENTS TO SUPPLIERS

The average period of payment to suppliers in 2020 was 88.96 days. In order to reduce this period to the maximum payment period established by Law 11/2013, the Group is making an effort to align events giving rise to payments with those giving rise to collection in order to reduce the payment time without losing the necessary liquidity.

## 11 - ALTERNATIVE PERFORMANCE MEASURES

**Backlog:** this represents the volume of firm orders that will be recognised in the future under "Revenue" in the consolidated statement of profit or loss. An order is considered firm only where obligations between the CAF Group and the customer arise. In the case of sales of trains, buses and services, obligations are deemed to arise when the parties sign the agreement.

**Contracts in the year:** this includes firm orders in the year and potential modifications to orders from prior years, and is obtained as follows: (Backlog at end of reporting period - Backlog at beginning of the reporting period + Revenue). This measure does not include the backlog acquired through business combinations in the year.

**Adjusted profit from operations:** the intention is to measure the Group's recurring profit from operations. It is calculated by deducting from "Profit from Operations" any significant non-recurring item, such as the outcome of litigation arising outside the normal course of business, exceptional staff restructuring costs and, in general, any exceptional event that is not expected to recur in subsequent years.

The reconciliation of the adjusted profit from operations to the Group's consolidated financial statements for the year is as follows:

	Thousands of euros	
	2020	2019
Profit from operations	120,895	124,994
Income from litigation (*)	-	37,872
Adjusted profit from operations	120,895	162,866

(\*) Detail disclosed in Note 26-a to the consolidated financial statements.

**Adjusted EBITDA:** the intention is to measure the Group's recurring EBITDA by deducting from "Adjusted Profit from Operations" the amounts recognised under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

**Cash-Flow:** the CAF Group's cash flow is calculated by deducting from "Profit for the Year Attributable to the Parent" in the consolidated statement of profit or loss the amounts recognised

under "Depreciation and Amortisation Charge" and "Impairment and Gains or Losses on Disposals of Non-Current Assets".

**Working capital expenditure:** this is obtained by taking into consideration the following items of the consolidated balance sheet, the breakdown of which can be obtained from the consolidated financial statements:

- + Inventories
- + Trade and other receivables
- + Other current financial assets - Derivatives
- + Other current assets
- Short-term provisions
- Current financial liabilities - Derivatives
- Trade and other payables (excluding deferred amounts payable to the tax authorities -Note 19)
- Other current liabilities

**Net financial debt:** this is obtained by taking into consideration the items making up the calculation of this indicator, which are disclosed in Note 14-i to the consolidated financial statements.

**Liquidity available:** this includes items defined in order to calculate net financial debt (see Note 14-i to the consolidated financial statements), "Current Financial Assets" and "Cash and Cash Equivalents" as well as credit lines and other undrawn financial balances.

**Market capitalisation at year-end:** the value of the shares at the closing of the last trading day of the year multiplied by the number of outstanding shares traded on the stock market (see Note 14 to the consolidated financial statements).

**Free-float rotation:** ratio that compares the volume of shares traded with the estimated number of shares included in the float, excluding those shares held by significant shareholders, members of the Board of Directors and treasury shares. The estimated free float % is disclosed in the Annual Corporate Governance Report (section A.11).



## 12 - CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

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## 1. INTRODUCTION

This section of the directors' report addresses matters relating to the Non-Financial Information Statement, the content of which is described in detail in 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 prejudice to this, CAF also prepares an annual report on Sustainability which covers and enlarges upon the corporate reporting on non-financial information.

CAF's main objective with regard to Sustainability, as stated in its Sustainability Policy, which was updated and approved on 17 December 2020 by the Board of Directors of CAF, S.A., is to carry out its mission while balancing the requirement to satisfy its stakeholders' needs and expectations in order to create value in a sustainable manner over the long term. 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 the prevention of corruption and other illegal conducts, 2) Respect for Human and Fundamental Rights, 3) Compliance with best practices in the areas of Corporate Governance, Risk Management, Regulatory Compliance and Sustainability, 4) Transparency and Confidentiality, 5) Responsible Communication, 6) Tax responsibility, 7) Innovation and Sustainability and 8) the Environment.

### a) Our relationship with stakeholders

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.

CAF aims to build a relationship of trust with the stakeholders. Therefore, it promotes ongoing and effective communication with them through the communication channels set out below in order to strengthen their participation and involvement in corporate objectives and in those areas where their activities are affected.

Stakeholders	Communication channels
<b>Shareholders</b> <sup>1</sup>	<ul style="list-style-type: none"> <li>- Shareholders and Investors Services Office</li> <li>- Spanish National Securities Market Commission (CNMV) communications</li> <li>- Annual General Meeting</li> <li>- Regular informative meetings</li> <li>- CAF Website (www.caf.net)</li> <li>- Whistleblowing channel</li> <li>- Shareholders and investors Survey</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Meetings with potential customers</li> <li>- Customer meetings on projects</li> <li>- Customer audits</li> <li>- Quality and Safety Management System Audits</li> <li>- CAF Website</li> <li>- Whistleblowing channel</li> <li>- Customer Satisfaction Surveys</li> </ul>
<b>Individuals</b>	<ul style="list-style-type: none"> <li>- CAF Portal</li> <li>- Internal communication channels - Direct communication</li> <li>- Union representation</li> <li>- Corporate magazine</li> <li>- Whistleblowing channel</li> <li>- CAF Website</li> <li>- Organisation Health Survey</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Supplier portal</li> <li>- CAF Website</li> <li>- Supplier audits</li> <li>- Whistleblowing channel</li> <li>- Supplier Satisfaction Surveys</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>- CAF Website</li> <li>- Direct relationship with public authorities</li> <li>- Participation at forums and in associations</li> <li>- Whistleblowing channel</li> <li>- Sustainability Report</li> </ul>

In 2020, in order to establish a general framework for the communication of the financial, non-financial and corporate information of the CAF Group companies, the Policy for the Communication of Economic and Financial, Non-Financial and Corporate Information, and on Contact with Shareholders, Institutional Investors and Voting Advisers (in compliance with the principles of the Spanish Code of Good Governance for listed companies, approved by the Spanish National Securities Market Commission in February 2015 and revised in June 2020, and the applicable legislation) was updated. 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 Advisers, 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 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 the performance and outlook concerning the above indicators.

<sup>1</sup> The information on shareholders is included in CAF's Annual Corporate Governance report, available on the corporate website.

#### 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)	> 77% of subscribed share capital with voting rights	Positive. In line with objective	Stable
Customers	Annual Railway Satisfaction Survey Biennial Bus Satisfaction Survey	> 80% of sales	Positive. In line with objective	Stable
Individuals	Biennial Satisfaction Survey	> 75% of the workforce	Positive.	Improvement
Suppliers	Annual Satisfaction Survey	> 65% of purchases	Positive. In line with objective	Increase of scope Stable result
Society	Ecovadis Sustainability Assessment	100% Group	Stable. In line with objective	Improvement

#### Assessment of communication with stakeholders

Stakeholder type	Measure	Scope	Evolution	Outlook
Shareholders	Communication Assessment Survey	> 50% of shareholders and institutional investors	First positive assessment. In line with objective	Stable
Customers	Communication Assessment Survey	> 60% of sales	Positive. In line with objective	Extend scope Stable result
Individuals	Communication Assessment Survey	> 50% of the workforce	Positive.	Extend scope Improved result
Suppliers	Communication Assessment Survey	> 65% of purchases	Positive. In line with objective	Extend scope Stable result
Society				First assessment

#### b) Materiality

This Non-Financial Information Statement was prepared on the basis of the expectations and requirements of these stakeholders, while focusing on the issues that are most relevant to them and have the greatest impact on the Group's strategy.

In tandem with the strategic cycle, in 2016 CAF prepared a Materiality analysis based on internal and external sources of information following the guidelines defined by the Global Reporting Initiative (GRI) standard across the following phases.

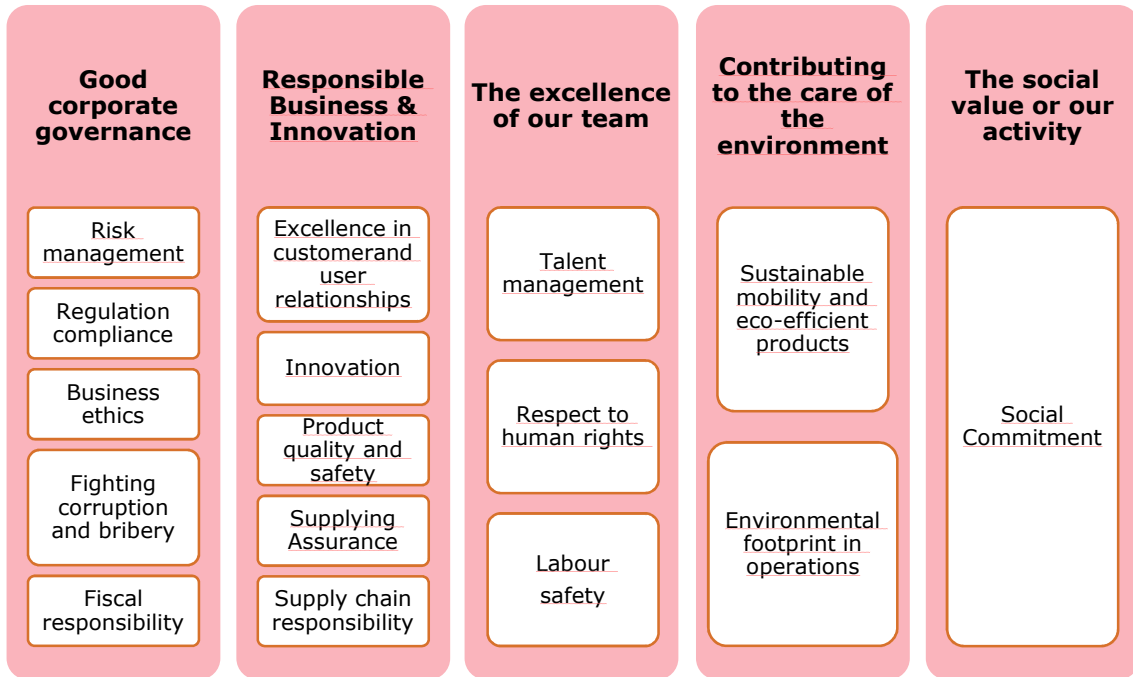
Identification Phase: enabling the detection of the material aspects and their coverage in accordance with their impact on the activities, products, services and relations within and outside of the organisation. For this purpose, CAF analyses the information from commitments assumed (the Company's strategic lines of business, CAF policies, applicable regulations), customer requirements (questionnaires required to CAF in the Sustainability area, requirements of tender processes in which CAF has participated) and Sustainability trends (Global Reporting Initiative, Principles of the Global Compact, news media).

Prioritisation Phase: enabling the determination of the contents of the reporting through the prioritisation of relevant aspects and matters identified by means of a participatory process involving the organisation's area managements. In this connection, all of CAF's areas participate in the process of defining the material aspects, thus achieving a global vision of Sustainability at the Company.

Validation Phase: enabling the determination of the end content, the validation of the list of relevant aspects by the organisation's senior management, and its coverage and prioritisation. Management of CAF also actively participates throughout this materiality analysis, so as to include its standpoints on each of the phases, to provide a final list of material aspects.

The identification made as a result of this diagnosis remains in force and was confirmed following the analysis prepared in accordance with the Social Responsibility guidance provided in the ISO 26000:2012 standard. In addition, due to the fact that the main external factor that had an impact on CAF's activity in 2020 was the pandemic caused by COVID-19, a special chapter has been included containing a summary of the measures adopted to manage the situation.

As a result of the materiality analysis, 16 aspects of relevance for CAF and its stakeholders in the Sustainability area were confirmed.



The information in this Non-Financial Information Statement relating to 2019 is presented for comparison purposes with that relating to 2020. None of the indicators presented in this Non-Financial Information Statement for comparison purposes differ from those presented in the Non-Financial Information Statement for 2019.

For additional information to that reported below, see the “2020 Sustainability Report”, prepared in accordance with the GRI Standards: Core option, available on the CAF Group’s website.

## **2. MEASURES ADOPTED TO MANAGE THE COVID-19 PANDEMIC**

Faced with the pandemic caused by the SARS-CoV-2 coronavirus (COVID-19), a contingency plan was activated, and within the plan's framework specific protocols, procedures, actions and preventive measures were implemented to tackle the situation at any given time. This plan was managed through various committees and multidisciplinary forums organised at different levels, who have been in charge of analysing the situation caused by the pandemic at any given time and how it is affecting production at the plants and in the various services provided by the Company. A series of measures, described below, were put into effect in relation to each type of stakeholder.

In this regard, we highlight the continuous communication and cooperation maintained between the various forums and groups created within the Company, who have coordinated and validated all the decisions together, and also with the stakeholders, which both parties have assessed favourably.

### **a) Individuals**

As with other activities, the health crisis affected all the activities carried on at the CAF Group's various work centres. Faced with the need to protect, above all, the health of workers against the risk of exposure to the virus, the appropriate measures were taken in each case, according to the situation in each geographical area and in line with the rules laid down by the corresponding health authorities.

In general, these measures could be summarised as continuing with activities that could be carried out through remote working and, where applicable, temporarily suspending activities that needed to be adapted so that the minimum health and safety standards established in the work places could be guaranteed. The labour-related measures implemented complied in all cases with local legislation and were carried out while observing the obligations concerning workers' representation. The alternatives used include flexibility agreements at the main vehicle manufacturing plants and furlough-type arrangements. The flexibility agreements allowed the work time lost during the furlough period to be recovered in 2020, thereby enabling workers to maintain their purchasing power and helping boost sales in the second half of the year.

At the same time, specific action Protocols and Plans were developed, which included the prevention and protection measures required to avoid the spread of COVID-19 among the Group's workers, and also specified the action to be taken if suspected cases were detected. These documents include measures on protection and social distancing, cleaning and disinfection protocols and guidelines for travel, control of visitors and contractors, among others. They also contain the work-life balance measures the Company made available to workers who requested them.

In parallel, in order to ensure effective implementation of remote working, an exercise was performed to estimate the capacity of the elements involved in this type of working, in order to ensure that the systems provided sufficient coverage to be able to maintain the usual rate of activity while remote working was in place.

CAF's employees have received training on the risks of COVID-19 and on the established Protocols and Plans by various means, including the e-learning tool. Through this training, the employees have been informed of, and educated on, the risks and prevention and protection measures to be adopted in order to carry out their duties.

Personnel who continued their activities working remotely received training on the related occupational risks and prevention measures to be taken into account to reduce such risks, above all with regard to ergonomic concerns. At the same time, employee awareness of cybersecurity was raised by issuing a series of principles to be followed in order to avoid fraud and cyberattacks, which supplement the cybersecurity training already received by the employees, within the framework of the Information Security Management System (ISMS, certified in accordance with ISO 27001).

In addition, throughout 2020, communication was carried out with the Group's employees, ensuring that everyone in the organisation had up-to-date information on the measures and protocols that had been defined. For that purpose, all the communication channels available within the Group were used, including notably the mobile application in which a specific section was created on information about COVID-19 measures, which is available to everyone at the Group and provides them with access to relevant information at any time without them having to be on-site.

Continuous monitoring of the epidemiological situation and the incidence of cases was conducted at all times at each work place and its environment in order to adopt and implement the necessary preventive measures at any given time, updating and communicating the Protocols and Plans as required, to reduce the risk of infection among employees.

Also, since the start of the pandemic and throughout this period, monitoring activities have been performed to evidence and guarantee compliance with the established rules, as well as the prevention measures implemented. In addition, at the main vehicle manufacturing plants, an external audit was performed to verify compliance with applicable workers' health and safety legislation and with the internal protocols.

Making an assessment of 2020, 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.

## **b) Shareholders and investors**

Activities relating to the shareholders and investors also had to be adapted to the situation resulting from the health crisis. In this connection, travel was suspended, as were in-person meetings and the usual contact maintained with shareholders and investors (roadshows, conferences organised by financial institutions, etc.).

On 8 May 2020, the Board of Directors called the Company's Annual General Meeting to be held on 13 June, providing for the possibility of holding the meeting by telematic means only. The call notice was communicated, as Other Relevant Information, to the Spanish National Securities Market Commission (CNMV) and published on the Company's website, where it has remained available. It was also published in the "Diario Vasco" and "Berria" newspapers on 9 May 2020, and in the Official Gazette of the Mercantile Registry on 11 May.

In line with the health authorities' recommendations and the health authorities' restrictions on people's movements and group events as a result of COVID-19, the Company resolved to hold the Annual General Meeting by telematic means only, i.e., without the attendance in person of the shareholders or their proxies. A notification to this effect was issued through an additional notice to the call notice, which was communicated as Other Relevant Information to the CNMV, and published on the Company's website, on 4 June 2020, and in the "Diario Vasco" and "Berria" newspapers, as well as in the Official Gazette of the Mercantile Registry on 5 June 2020.

The Meeting was held by telematic means only in order to safeguard the general interest, protect the health of the shareholders, employees and other persons usually involved in the organisation of the Meeting, and to ensure that all the shareholders received equal treatment.

At the aforementioned Meeting, a majority (77.39% of the share capital represented) resolved to pay the dividend relating to 2019 on 15 January 2021. At the date of preparation of this report, CAF had fulfilled its commitment in this connection.

In 2020 the communication by the CAF Investor Relationship team with the analysts, investors and shareholders was intensified due to the need to give visibility to the measures adopted and the extent to which CAF was affected, and provide information on the contingency plan implemented by the Company. CAF's Investor Relationship area met this increased demand by being totally available. At the date of preparation of this report, the exclusively telematic format was being maintained.

At the end of July, CAF published the results of the first quarter and of the first half of 2020 together, as well as a qualitative assessment of the activities during the period and the outlook for the coming months.

Availing itself of the extended deadlines for the presentation of results and financial statements, the Company resolved to delay publication of the results relating to the first quarter of 2020, due to the lack of sufficient information at that date to establish such financial statements with the required reliability, as a result of complications caused by COVID-19, and to avoid the need to make subsequent changes to the judgements and estimates used.

## **c) Customers**

As with the other stakeholders, first of all, CAF cancelled in-person customer meetings, customer audits, FAls, etc. and subsequently replaced them with the telematic format where possible, in order to ensure the health and safety of customers and internal personnel.

With the first impact of the pandemic which resulted in the temporary suspension of certain activities and the impact on suppliers, CAF notified customers of the contingency measures adopted and the potential delay in meeting its contractual obligations. From then on, mainly with regard to the railway activity, CAF has informed its customers on a regular basis about the ongoing impact of the pandemic on each programme.

As can be seen in the 2020 satisfaction survey, customers have rated the Company's management of the pandemic favourably.

In parallel, depending on the terms and conditions of each contract, negotiations were initiated with customers in order to obtain extensions to deadlines according to the impact of the pandemic on the projects concerned. To date, amendments to contracts have been agreed with several customers and negotiations are continuing with regard to other projects that have been affected by COVID-19.

In addition, in view of the complex situation generated by COVID-19, in order to respond to the challenges of this new situation for the entire transport industry, CAF launched an interdisciplinary working group, with the purpose of analysing the situation and seeking solutions with which to support the transport authorities and operators to ensure the safety of collective transport systems.

As a result of the work of that team, backed by years of experience in the design and supply of sustainable mobility solutions, CAF made a wide range of solutions available to its customers to respond to this new situation with regard to new trains and buses, as well as existing fleets. These include solutions to prevent air-borne transmission and transmission through contact, and to control capacity. They are all published on the corporate website and on the Solaris website.

In addition, as part of its innovation strategy and strategy to generate new activities, CAF has been working with the entrepreneur and start-up ecosystem. In the framework of this strategy, a cooperation agreement was signed between CAF and the "Empresa y Sociedad" business foundation in July. The agreement aims to promote cooperation with scale-ups in order to develop joint disruptive solutions and new products that provide solutions that can be adopted in the design of new and refurbished trains, to prevent infection and slow down the pandemic caused by COVID-19. At the date of preparation of this report, we are working on pilot projects with several of the selected scale ups, with very positive expectations.

#### **d) Suppliers**

The team engaged in the management of the supply chain, in coordination with the Committees and Forums organised for that purpose, has established extraordinary measures with the suppliers who have requested them. Thanks to the establishment of a specific monitoring plan for each supplier, CAF has been able to mitigate the effect of COVID-19 on each supplier's operations by applying the mitigating measures, such as providing recommendations on prevention and distributing masks to suppliers who expected a delay in their operations.

The diverse purchasing and supply chain activation teams have conducted specific monitoring of the impacts caused by the pandemic on CAF's suppliers, including a solvency assessment and a specific mitigation plan for suppliers with the most serious liquidity problems.

The plans to mitigate delays by suppliers, as well as the plans to recover the rate of production of certain projects most seriously affected by the pandemic have required the renegotiation of delivery plans with suppliers. In this respect, it should be noted that no significant incidents concerning procurements caused by COVID-19 were recorded.

In view of the risk of infection for CAF professionals due to travel to other countries and visits to suppliers' facilities, CAF authorised the performance of audits and inspections by telematic means. Although at the date of preparation of the report, work is continuing on obtaining conclusions on the impact that these inspections could have on the different business processes, the use of this type of audit or inspection could make the process more agile and reduce the cost of monitoring and controlling suppliers.

#### **e) Society**

From the perspective of environmental management, the risks arising from COVID-19 were analysed and managed, and the action protocols updated, due to the generation of new waste, in particular (masks, infectious waste, empty containers, etc.) and compliance with the legislation on the storage of chemical products.

In addition, CAF's diverse collaboration with different players to generate knowledge in the area of its operations have also been affected by the COVID-19 pandemic. The common decision reached by mutual agreement in these areas has been to continue with the activities that enable compliance with health and safety measures and temporarily suspend those where this is not possible.

Lastly, in addition to the donations of healthcare material made by CAF to healthcare centres and social welfare entities since the start of the pandemic, CAF Digital Design Solutions (CAF DDS), a Group subsidiary engaged in additive manufacturing and 3D scanning, made its resources for manufacturing using 3D printing



available in the fight against COVID-19. With this objective, various devices, such as screens, protective visors and respirators were designed and manufactured.

### 3. ENVIRONMENTAL ACTIVITY

Aware that it is in an ever more challenging environment, and pursuant to the provisions of the United Nations Global Compact for the 2030 Agenda for Sustainable Development, CAF established its commitment to undertake actions in relation to the mitigation of the causes of global warming and the adaptation to climate change, implementing measures that contribute to environmental Sustainability.

To this end, the main purpose of the Group's Environmental Policy, approved by the Corporate Human Resources Department on 26 November 2020, is to establish the general environmental principles and criteria to be applied at corporate level at CAF and project to the stakeholders the environmental commitments established in the Sustainability Policy approved by the Board of Directors of CAF, S.A. The environment is a principal element of the concept of Sustainability, and in particular in the development of integrated sustainable mobility solutions that are more efficient and more environmentally friendly.

In this vein, the CAF group is committed to combating climate change and caring for the environment in two main areas:

1. Development of sustainable mobility solutions. In this regard, the Group channels and coordinates its Innovation in Product and Technology initiatives in the framework of the corporate Innovation Strategy, aimed at aligning the technological and product/service development activities with the Company's main strategic challenges, in order to develop and offer customers efficient, accessible and environmentally friendly solutions, while guaranteeing competitiveness.
2. Incorporation of the environmental care principle by preventing the environmental impact of all the industrial activities performed. As indicated in CAF's Environmental Policy, the action taken in this area is geared towards adopting the necessary economically viable measures to control and minimise significant areas of environmental concern, such as air emissions, waste generation and energy consumption, among others.

The following environmental risks associated with both the products and services the Company provides and the industrial activities it carries on are identified in these two areas: (i) use of polluting materials; (ii) non-optimisation of energy consumption and natural resources (electricity, fuel, water, etc.); (iii) impact on water sources; (iv) impact on biodiversity; (v) polluting emissions including greenhouse gases; (vi) generation of waste; (vii) environmental impact of products and services on technological development; (viii) generation of environmental noise; (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 such risks can centre on fines and inspections relating to infringement of environmental laws, 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. Although these impacts have a direct short-term effect, the last two impacts mentioned may have a medium-term effect, since environmental impacts are lasting. In this regard, it is worth noting that, as in 2019, 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 such risks. This process meets the risk and opportunity analysis of the frame of reference

#### a) Sustainable mobility

In the European Union, transport-related greenhouse gas emissions increased by around 28% between 1990 and 2017. Transport currently accounts for almost 25% of global CO<sub>2</sub> emissions, of which the railway represents just 0.5%<sup>2</sup>.

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.

In view of this situation, the European Commission established its "European Green Deal" with the aim of reducing CO<sub>2</sub> emissions from transport by 90% by 2050. This means that an exceptional effort will be required in the coming years to achieve this target.

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<sup>2</sup> *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.*

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 reducing the energy costs of transport and providing highly efficient mobility alternatives, which point the way to a sustainable, clean, ecological and emissions-free future.

The main lines of action are as follows: 1) Eco-design methodology, 2) Improvements in energy efficiency, 3) Roll out of sustainable alternative fuels, 4) Use of light and recyclable materials, 5) Reduction of noise and vibrations.

1. Eco-design methodology. 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.

As a result of these activities, in 2011 the Group's Parent prepared the first verified worldwide environmental product declaration (EPD) for a tram, more specifically, the Urban Tramway for the city of Zaragoza, in accordance with ISO 14025, on Environmental labels and declarations. CAF continues to be one of the rolling stock manufacturers with the highest number of registered EPDs.

2. Improvements in energy efficiency. Improving the energy efficiency of products and services is a priority challenge for CAF, and some of the initiatives in this area are energy recovery from braking, development of highly efficient traction equipment, reduction in the energy consumption of ancillary systems (HVAC, lighting, etc.) and efficient energy management based on journey times.
3. Roll out of sustainable alternative fuels In recent years, the CAF Group has worked to develop vehicles that operate using alternative fuels to diesel and that are more environmentally friendly. Worthy of mention in this regard are the compressed natural gas (CNG) and hydrogen that Solaris has brought into service in various European cities. CNG vehicles reduce particulate and greenhouse gas emissions while hydrogen-powered vehicles are considered to be zero emissions as they only emit water vapour into the atmosphere. In this area, in 2020 Solaris received the Global e-Mobility Leader Award for its contribution to the development of zero-emissions transport around the world.

As regards trains, CAF is developing a prototype hydrogen-powered train with the aim of testing it on tracks in mid-2022. In this regard, the FCH JU, the European Union agency engaged in fostering the development of hydrogen and fuel cells, has selected the FCH2RAIL proposal to initiate the negotiation of an agreement for an EU grant valued at EUR 10 million as part of the H2020 programme. CAF is the technical leader of the FCH2RAIL project to develop a prototype hydrogen-powered train.

In its various phases, this project will encompass the design and manufacture of an innovative prototype, as well as the testing required for its validation and approval. The aim is to obtain a zero-emission product that can compete, in terms of operating performance, with current diesel trains, both new design and refurbished vehicles.

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

4. Use of light and recyclable materials. CAF carefully selects all the materials used in manufacturing and pays particular attention to their recycling, as their use prevents the consumption of natural resources. In addition, the design of the trains is aimed at reducing mass and weight, which is an effective way of optimising energy demand.
5. Reduction of noise and vibrations. In order to reduce interior and exterior noise pollution, CAF's technical team analyses its causes in detail and adopts the most effective measures with a view to its minimisation: prior calculations and tests, use of insulating and absorbent materials, aerodynamic forms, studies on wheel-rail contact and interaction, etc.

#### **b) Minimisation of the environmental impact of operations**

In conjunction with the Corporate Environmental Policy described above, in 2020 the Corporate Environmental Forum, comprising the Group's various environmental leaders, prepared the Corporate Environmental Policy Development Manual. 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.

The Group also has an Environmental Committee, to which management belongs, that meets periodically and acts as an environmental manager, coordinating and fostering all actions seen to be necessary to achieve and improve environmental performance.

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. This system is used to periodically control compliance with legal requirements and the compliance with, and efficiency of, the measures adopted, thus ensuring the achievement of the objectives set by the organisation.

At present, more than 65% of the Group's headcount is covered by an environmental management system certified under the ISO 14001:2015 standard, and the rest of the headcount located at manufacturing plants are involved in a plan to implement and certify the Group's Environmental Management Model with a view to obtaining certification under the aforementioned standard in 2021.

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.

The measures implemented to control significant environmental matters affecting the Group and the results obtained in 2020 at all of CAF's manufacturing plants, with respect to both the rolling stock and bus Business Units, are summarised below <sup>3</sup>. These results show the decrease in all types of impacts caused by the decline in activity stemming from the COVID-19 pandemic.

#### b.1) Raw materials

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. These materials include most notably metals, due to their high consumption rate, and more specifically, steel and aluminium profiles and sheets, and steel ingots.

#### Raw materials (t) <sup>4</sup>

	2020	2019
Steel and aluminium profiles and sheets	14,756	18,717 <sup>5</sup>
Steel ingots	47,964	57,086

Apart from the acquisition of these materials, CAF also includes in its technical processes materials that contribute to environmental Sustainability. For example, recycled steel is used for manufacturing wheels and axles.

Also, in order to reduce the environmental impact of the products an analysis is conducted of the recycling of the products in accordance with the ISO 22628 standard. In this connection, the average recycling percentage of the vehicles manufactured by CAF, S.A. is around 93%<sup>6</sup>.

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

<sup>3</sup> The data for 2019 are not comparable, as the scope of the raw materials, energy, emissions, waste and water consumption data of the locations, which represented 97% of the headcount of the CAF Group manufacturing centres in 2019, was extended to locations representing 100% of the headcount of the CAF Group manufacturing centres

<sup>4</sup> Raw material consumption fell as a result of the decline in industrial activity

<sup>5</sup> The 2019 data correspond to the main train and bus manufacturing centres.

<sup>6</sup> Average of the calculations performed in the life cycle analyses conducted by the organisation, both in relation to projects carried out and bids.

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. In this connection, in 2020 the Parent Company replaced the use of five flammable and/or corrosive toxic chemicals with other chemicals which are much less dangerous to employees' health and the environment.

#### b.2) 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 2020, 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.

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 2020 the headquarters located in Beasain enabled the generation of renewable energy equalling 6% 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, CAF will continue to implement actions to reduce energy consumption in CAF's various manufacturing plants. Additionally, a 100% renewable energy consumption service, with guarantee of origin, has been contracted to supply the Parent's energy for the next two years.

#### Direct and indirect energy consumption (MWh)

	2020	2019
Natural gas <sup>7</sup>	106,199	129,302
Diesel <sup>8</sup>	347	306
Electricity	52,433	59,339
Thermal energy	3,645	4,077

#### b.3) Greenhouse gas (GHG) emissions

The main source of direct emissions contributing to the Company's Greenhouse Gases is CO<sub>2</sub> arising from energy consumption. Also, studies on the development of more efficient and environmentally-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 this regard, in addition to the analysis of the impact of the life cycle of the product prepared by the railway business reflected in the obtaining of environmental product declarations (EPD) mentioned in the previous section, in the bus business, during 2020 the carbon footprints of the Bolechowo and Środa Wlkp plants have been calculated and will be used as the basis for defining greenhouse gas reduction targets for the next few years.

<sup>7</sup> The consumption of natural gas to heat the facilities represents approximately 20% of the total consumption

<sup>8</sup> Consumption relating to transportation equipment at the factory.

With respect to greenhouse gas emissions, in the review report prepared by management as part of the framework of the environmental management system, the Parent Company of the CAF Group was assigned the objective of eliminating indirect CO<sub>2</sub> emissions (Scope 2) from its scope for 2021. This would give rise to a theoretical reduction of 66% of Scope 2 emissions from the CAF Group's manufacturing centres, compared with 2020. To achieve this objective a 100% renewable energy consumption service has been contracted for the Parent, as mentioned previously.

Similarly, two measures were put into place at the UK manufacturing centre with the aim of reducing emissions in the transport of waste from the manufacturing plant to the waste management plant. On the one hand, the hazardous waste management facility was replaced by another closer to the production plant, and on the other, a compactor was acquired for the cardboard generated, reducing the volume of waste and, therefore, the number of trips to be made. This gave rise to a 3,380 km annual reduction in transport, which led to a 95% reduction in the emissions generated.

Also, as regards the emission of Volatile Organic Compounds, the CAF Group, in addition to complying with the requirements of the legislation on the limitation of emissions of volatile organic compounds due to the use of solvents in certain activities <sup>9</sup>, the Parent 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 area <sup>10</sup>. 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.

#### Emissions (t CO<sub>2</sub>eq.)<sup>11</sup>

	2020	2019
Scope 1: Fuel emissions	19,393	26,322
Scope 2: Electricity consumption emissions	16,254	24,329

#### b.4) 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, 85% of all the hazardous and non-hazardous waste generated was recycled in 2020 (2019: 80%); 3) promotion of awareness-raising campaigns on waste separation and minimisation; and 4) proper waste processing and management, using waste managers close to the facilities.

The following two noteworthy developments took place in 2020. The first, relating to the railway business, involved the signing of two circular economy agreements for the use of out-of-date paint and glue, thus incentivising the generation of value added by means of cooperation in the reuse of materials. The second is in the bus business, where the method for installing and sticking down floors was changed, reducing the generation of hazardous waste, especially adhesives, and the generation of inert waste, especially wood.

#### Waste generated (t)

	2020	2019
<b>Hazardous, of which:</b>	<b>1,117</b>	<b>1,226</b>
Recovered	723	660
To landfill	394	566
<b>Non-hazardous, of which:</b>	<b>8,604</b>	<b>9,223</b>
Recovered	7,520	7,749
To landfill	1,084	1,474

<sup>9</sup> Council Directive 1999/13/EC, of 11 March 1999, 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.

<sup>10</sup> Data relating to the reporting carried out to the Basque Autonomous Community Government until the date of publication of this report.

<sup>11</sup> These emissions are calculated through conversions of fuel and electricity consumption using emission factors published by the Spanish Ministry for Ecological Transition.

#### b.5) Water

The water used by CAF in the manufacturing process is used mainly to refrigerate equipment and for facilities to ensure the water tightness of the trains, using for such purpose mains water and river water in line with local limitations and limiting the consumption of rain water to use in closed circuits.

The Group is aware that water is a scarce natural resource that should be preserved and, accordingly, a series of actions have been performed in order to encourage a more sustainable use thereof, the most noteworthy of which 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, avoiding collecting water in areas with water stress; and, lastly, performing reviews of leaks and watertightness of facilities to facilitate lower consumption and impact.

#### Water consumption (ML)

	2020	2019
Mains water consumption	76.94	93.17
River water consumption	30.33 <sup>12</sup>	54.12

For further information on Environmental matters, see Chapter 5, “Contributing to environmental care” of the “2020 Sustainability Report”, available on the CAF Group’s website.

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<sup>12</sup> 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.

#### 4. HUMAN RESOURCES

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.

The CAF Group promotes the professional development of its employees, striking a balance between the Company's objectives and employees' needs and expectations, and it encourages ongoing adaptation and improvement of their competencies and skills. The experience, knowledge and motivation of its employees are reflected in each of its products and services.

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.

As part of the framework for the rollout of this process, it must be stated that it has been implemented in the Group's main activities and will be further extended in the next year. Also, in 2020 a reflection process took place with the result that for 2021, the priority top level indicator, which will therefore be reviewed every quarter by the Executive Committee, will be the organisational health index, mentioned in the introductory chapter, which reflects people's perception and opinion.

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 detailed above and provides a series of activities aimed exclusively at managing such risks. This process meets the risk and opportunity analysis of the frame of reference.

##### a) People are key

In 2020 the average headcount of the Group totalled 13,082 employees, and at 31 December 2020 the headcount stood at 13,057<sup>13</sup>. In this connection, the CAF Group increased its average headcount by 598 employees in 2020, due mainly to the full incorporation of Euromaint into the Group in July 2019. However, at year-end the Group's headcount had fallen by 122 employees, thus adapting to the Group's needs in its different lines of business and geographical areas.

##### CAF Group headcount

	31/12/20	31/12/19	Change
University graduates	4,216	4,015	201
Middle management and clerical staff	2,170	2,194	(24)
Production and services	6,671	6,970	(299)
<b>Total</b>	<b>13,057</b>	<b>13,179</b>	<b>(122)</b>

<sup>13</sup> The 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 those activities that the company considers it is necessary for outsourced personnel to carry on 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 deem it to be necessary to record statistics in relation to outsourced personnel, as this is not considered to be significant. Therefore, this document does not include the information on outsourced personnel required by the GRI Standards in disclosures 102-8 and 102-41.



The headcount of the Parent stood at 4,138 at year-end (4,220 in average terms).

#### Headcount CAF, S.A.

	31/12/20	31/12/19	Change
University graduates	1,225	1,205	20
Middle management and clerical staff	652	657	(5)
Production and services	2,261	2,452	(191)
<b>Total</b>	<b>4,138</b>	<b>4,314</b>	<b>(176)</b>

Provided below there is a breakdown of employees by the following diversity criteria: gender, age and region.

#### Breakdown by age

(% of headcount at year-end)

	2020	2019
Under 30 years of age	14%	15%
Between 30 and 50 years of age	69%	69%
Over 50 years of age	17%	16%
<b>Total</b>	<b>13,057</b>	<b>13,179</b>

#### Breakdown by gender

(% of headcount at year-end)

	2020	2019
Male	85%	85%
Female	15%	15%
<b>Total</b>	<b>13,057</b>	<b>13,179</b>

#### Breakdown by country

(% of headcount at year-end)

	2020		2019	
	% Region	% Country	% Region	% Country
Europe <sup>14</sup>	88%		88%	
Spain		50%		50%
Poland		19%		18%
Sweden		8%		8%
UK		5%		5%
Rest of Europe		7%		7%
America <sup>15</sup>	9%		9%	
Mexico		3%		3%
Brazil		2%		2%
US		2%		2%
Rest of America		1%		2%
Rest of the world	3%		3%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

In this same area, the voluntary turnover rate <sup>16</sup> of staff at the Group as a whole was 3.8% in 2020 (2019: 5.4%).

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 employees at the CAF Group at year-end stood at 92%, representing an increase of three percentage points on 2019. The percentage of permanent female employees rose to 90% (2019: 87%). From a geographical standpoint, all the countries in which the CAF Group has a significant presence represent more than 90% of permanent employees (2019: 86%). Similarly, the percentage of permanent employees based on employee

<sup>14</sup> In Europe the main countries are Spain, Poland, Sweden and the UK, which represent 93% of the region.

<sup>15</sup> In America the main countries are the US, Mexico and Brazil, which represent 84% of the continent.

<sup>16</sup> No. of total resignations/average headcount at the Group.

category (employees <sup>17</sup>and manual workers) exceeds 92% (2019: 88%). Permanent employment in the under 30 age group amounts to 77%, six percentage points higher than in 2019. In light of these figures, permanent employment at the Group can be considered to have been stable in recent years.

### Breakdown by type of contract

(% of headcount at year-end)

	2020	2019
Permanent	92%	89%
Temporary	8%	11%
<b>Total</b>	<b>13,057</b>	<b>13,179</b>

Also, if we consider the average headcount based on type of contract <sup>18</sup>and the diversity criteria of gender, age and professional group, the data are similar and are included in the following tables.

### Average breakdown by type of contract and age group

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

### Average breakdown by type of contract and gender

	2020		2019	
	Permanent	Temporary	Permanent	Temporary
Male	91%	9%	89%	11%
Female	89%	11%	87%	13%

### Average breakdown by type of contract and professional group

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

These year-end figures are the net result of the numbers of new hires and terminations in 2020. With respect to the latter, non-voluntary terminations represent 2.5% of the total headcount <sup>19</sup>, as in 2019. In relation to the distribution of these figures, 86% are men, 63% are between 30 and 50 years of age and 63% are manual workers. These data follow the Group's headcount distribution by diversity criteria.

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 thereof with the challenges and needs of the lines of business. In this connection, information prepared by specialist consultants is used, which enables salary levels to be established on the basis of the market and role.

<sup>17</sup> . The Professional Group of Employees includes University Graduates, Middle Management and Clerical Staff.

<sup>18</sup> The average number of part-time contracts is not included as the number thereof in the Group's headcount is not significant.

<sup>19</sup> There were 326 non-voluntary terminations.

These general criteria have given rise to appropriate remuneration levels and the average remuneration of employees <sup>20</sup> in 2020 amounts to EUR 37,015.01 (2019: EUR 36,355.22). The difference in average remuneration, by professional group, is 19% higher than the average for employees and 19% lower for other workers.

#### Remuneration by professional group

	2020	2019
Employees	(19%)	(20%)
Manual workers	19%	18%

The average remuneration by age at the CAF Group reveals a correlation between age and remuneration earned. The average remuneration earned by employees aged over 50 is 17% higher than the average, employees aged between 30 and 50 earn is 2.6% higher than the average, and employees under 30 is 34% below the average.

The average remuneration of women working at the CAF Group is EUR 37,156.76 (2019: EUR 36,247.12) and is 0.4% higher than the average remuneration of men. If we analyse the figures by groups of employees, length of service is identified as a cause of the differences in remuneration by gender, both at the CAF Group and in its activities in Europe. From this standpoint, the pay gap is reduced in the various groups of employees.

#### General gender pay gap <sup>21</sup> by professional group and length of service <sup>22</sup> - CAF Group

	2020		2019	
	Gender pay gap	Difference in length of service	Gender pay gap	Difference in length of service
Employees	16%	47%	15%	33%
Manual workers	27%	33%	20%	25%

#### General gender pay gap by professional group and length of service – Europe

	2020		2019	
	Gender pay gap	Difference in length of service	Gender pay gap	Difference in length of service
Employees	14%	50%	14%	34%
Manual workers	14%	40%	12%	29%

If we analyse the data by age range, in the “under 30 years of age” group the remuneration of female employees is 8% higher, and in the “between 30 and 50 years of age” group, 3% higher. By contrast, in the “over 50 years of age” range, the remuneration of female employees is 4% lower.

#### Pay gap by gender and age

	2020	2019
Under 30 years of age	(8%)	(5%)
Between 30 and 50 years of age	(3%)	(2%)
Over 50 years of age	4%	(1%)
<b>Total</b>	<b>(0.4%)</b>	<b>0.3%</b>

In any case, the data relating to the pay gap are influenced by the asymmetrical nature of the distribution by gender of the various social demographic groups.

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.

<sup>20</sup> All annual fixed remunerative items for full-time employees available to all the Group's employees were used, excluding directors and senior executives to whom specific reference is made in the Annual Report on the Remuneration of Directors and the Annual Corporate Governance Report of Listed Public Limited Liability Companies, published in accordance with the regulations in force. The average exchange rate for the year was used to translate the data to euros.

<sup>21</sup> (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.

<sup>22</sup> (Average Length of Service of Men by Group – Average Length of Service of Women by Group) / Average Length of Service of Men by Group.

The treatment of remuneration of the Parent's directors responds to transparency criteria applicable to a listed company. In this connection, the detail and individual breakdown of the directors' remuneration conditions are shown in the Annual Report on Directors' Remuneration, which is prepared for this purpose and published pursuant to current legislation. Also, the total remuneration (monetary and in kind) of senior management <sup>23</sup> is included in the Annual Corporate Governance Report of Listed Public Limited Liability Companies, and no breakdown is provided of the average figure per gender, as there was only one woman in senior management.

The generation of quality employment also gives rise to the need to organise work in accordance with the legislation in force in each country, workers' bylaws and collective agreements. Thus, each Group company determines matters relating, inter alia, 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, including, inter alia, contributions to pension funds or 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.

## **b) Social dialogue**

With respect to the organisation of social dialogue, mention must be made of the permanent communication between employees, trade unions and the company with a view to ascertaining their interests and expectations, which should enable agreements to be reached that benefit all. The procedures for informing and consulting employees and negotiating vary across the Group, which provides greater flexibility to enable the most appropriate routes to be followed, according to the traditions and customs in each geographical area 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 international level, mention must be made of the collective bargaining processes held in relation to various matters (remuneration, working hours and work time, etc.) in various geographical areas (Algeria, Brazil, Chile, Mexico, New Zealand, Poland, the UK and Italy). 87% of the CAF Group's headcount is subject to a collective agreement or regulation, a figure in line with that of the preceding year.

## **c) Training**

The training process is a basic element of personnel management activities, and this is evidenced both at the Parent and at the domestic and international subsidiaries associated with 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 a diagnosis of training needs, incorporating both the vertical perspective of each function and the horizontal perspective in transversal training matters, such as occupational health and safety, quality, product safety and regulatory compliance. 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.

In 2020, the new corporate e-learning platform, "CAF E-learning" was rolled out. In addition to improving the user experience (thanks to its attractive interface and design adapted to the corporate image), it allows training modules to be improved and makes managing them easier, as a result of the flexibility to incorporate many learning formats, the possibility of generating training itineraries by profile, and access to employees' training histories. This new platform is directly accessible from the corporate internal communication platform and can be adapted to any device, which has facilitated rapid communication and access to training modules on the health and safety measures included in the protocols developed as a result of the COVID-19 pandemic.

At 2020 year-end, the indicators of activity and efficiency of the training process reflected the impact of COVID-19, since despite having transferred to online all the training modules that could be transferred, of those that must be conducted on-site, only those considered essential took place, and the rest were postponed. At Group level, at least 150,000 hours of training were received (2019: more than 192,000) <sup>24</sup>, and each employee received an average of 13 hours of training (2019: 17 hours). In contrast with other years, owing to the greater flexibility to adapt to the online version of employees' training modules, the

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<sup>23</sup> Senior executives who are not also executive directors.

<sup>24</sup> Data representing more than 90% of the CAF Group's headcount in 2019 and 2020.

average hours of training for employees was above average, with each receiving 14 hours of training (2019: 15 hours), an average of two hours more than manual workers (2019: 19 hours).

#### **d) Equal opportunities and diversity**

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, led by the Human Resources area, 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 the establishment of measures that enable a work-life balance to be struck.

Accordingly, CAF, S.A.'s collective 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.

In 2020 women represented 19% of the total new hires at the CAF Group, contributing to the increased presence of women in the Group's headcount. In 2019 this proportion was 15.3%.

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

In order to comprehensively control these commitments and their respective initiatives, all the Group companies comply with legal regulations relating to the preparation of equality plans<sup>25</sup> and have set up various management mechanisms such as the action protocol in the event of sexual harassment or gender harassment, and equality committees on which the company and workers are represented. 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 manual workers and employees.

Similarly, in recent years the company has been taking steps to disseminate the equality plan and equality protocol for sexual and gender-based harassment 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 this context, a gender-based harassment case arose in 2020, and was duly investigated, dealt with and resolved by applying the pertinent employment measures. No such cases were detected in 2019.

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.

In the case of railway rolling stock manufactured by CAF, the requirements laid down in the European Union's Technical Specifications for Interoperability Relating to Accessibility for persons with reduced mobility of 2014 are observed. City buses are built in accordance with the specifications of Annex IV of

<sup>25</sup> All the companies have implemented the plan in the period subsequent to compliance with the requirements included in the regulation and have started the process of adapting them to Royal Decrees 901/2020 and 902/2020.

Directive 2007/46 establishing a framework for the approval of motor vehicles, recently amended by Regulation (EU) 2017/2400. These provisions include the requirements of Regulation No. 107 of the Economic Commission for Europe (ECE) of the United Nations on uniform provisions concerning the approval of category M<sub>2</sub> or M 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 disability<sup>26</sup> and through the adoption of alternative measures envisaged in current legislation.

#### **e) Occupational health and safety**

The Occupational Risk Prevention Policy approved by CAF management expressly states CAF's firm commitment to maintaining and improving the accident prevention system in order to ensure compliance with current legislation and undertakes to protect employees from occupational hazards. The Policy includes prevention management in all of the Group's 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.

The Group maintains its comprehensive prevention and environmental policy which is applicable to its core activities<sup>27</sup>, in addition to the occupational risk prevention policies in place at the other main subsidiaries<sup>28</sup>. Also, as part of the Corporate Occupational Health and Safety Forum, work is being performed on defining a Corporate Occupational Health and Safety Policy that will be applicable to all the Group's subsidiaries.

In order to achieve zero accidents and improve occupational health and safety conditions, in addition to the aforementioned policy, CAF has implemented and is promoting the extension of the occupational risk prevention Management Systems. This 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.

In the occupational risk prevention area, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which the Group is present. In this area, in 2020 at least 45% of the Group's total headcount were certified under the requirements of the new ISO 45001:2018 standard and an additional 2% were certified under the OHSAS 18001:2007 standard. The aim is to extend this certification to the remaining train and bus manufacturing plants in 2021 and 2022.

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. 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.

There is also social dialogue handled through formal worker-company committees in the health and safety area. Each of CAF's main Vehicle and Bus manufacturing plants and Core activities have occupational health and safety committees, in which management, prevention delegates, the prevention service and,

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<sup>26</sup> To comply with the legal obligations in this area, as well as the alternative measures, CAF's headcount includes 98 employees with a certified disability (2019: 100).

<sup>27</sup> Rolling stock, rail and maintenance, wheel set and component (MiiRA) services.

<sup>28</sup> CAF T&E, CAF Signalling, CAF P&A and Solaris Bus & Coach.

where appropriate, those responsible for the business lines concerned, participate. These committees are responsible for gathering information from the various operating levels and approving occupational risk prevention plans, involving workers in the definition thereof. 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. These mechanisms make it possible for 90% of all Group employees to be represented in occupational health and safety matters.

The Occupational Risk Prevention Plans of the Group's main plants and lines of business define the planning of preventive measures and the annual objectives in the occupational risk prevention area. With respect to accident targets, three main indicators are measured, namely, the frequency rate, the severity rate and the absolute frequency rate. The following table shows these indicators for the CAF Group's <sup>29</sup> most significant domestic and international operations and the number of occupational illness cases identified.

As regards the performance of the indicators, it can be observed that all of them decreased in comparison with 2019, which shows a positive trend in the number of accidents recorded. The frequency and absolute frequency rates were considerably reduced in the last year, meaning that there have been fewer accidents at the CAF Group. Also, the reduction in the severity rate indicates that the accidents were less serious than in the previous year. Similarly, the occupational illnesses rate fell in the last year, meaning fewer occupational illnesses occurred.

### Occupational risk prevention in figures

	CAF Group					
	2020			2019		
	Male	Female	Total	Male	Female	Total
Frequency rate	20.09	4.28	17.98	23.41	4.1	20.89
Severity rate	0.50	0.06	0.44	0.51	0.17	0.47
Absolute frequency rate	72.72	16.71	65.25	86.74	28.69	79.16
Occupational illness rate	10.74	0	9.18	11.74	0	10.19

A common employee indicator at organisations is the absenteeism rate. This indicator measures the hours lost in relation to the theoretical hours. In 2020 this rate was 5.2% at corporate level. In 2019 this indicator was 4.6%<sup>30</sup>.

For further information on Human Resources-related matters, see Chapter 4, "The excellence of our team" of the "2020 Sustainability Report", available on the CAF Group's website.

<sup>29</sup> Including the indicators of 90% of the CAF Group's total headcount. The number of hours worked in the indicated scope amounted to 19,294,028. The frequency rates were calculated based on 1,000,000 hours worked (considering the number of lost work-day accidents), the absolute frequency rate based on 1,000,000 hours worked (considering the total number of accidents), the severity rate based on 1,000 hours worked (considering the number of lost work days) and the occupational illnesses rate based on 10,000 workers. When segregated data by gender were not available, an estimate was made based on the distribution of the headcount. With respect to external companies, significant incidents/accidents occurring at CAF facilities are reported and monitored, and it is not considered necessary to keep a statistical record for this group, since a significant volume of accidents is not reported in its regard.

<sup>30</sup> This absenteeism rate relates to 83% of the Group's headcount and takes into account the lost hours relating to occupational accidents or common illnesses. (The 2019 data related to 82% of the Group's headcount).

## 5. RESPECT FOR HUMAN RIGHTS

In addition to committing itself to the strictest respect for the law in force in all the territories in which it carries on its activities, CAF includes in its Code of Conduct and its Sustainability Policy its commitment to adopting 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, to which CAF, S.A. has adhered.

In this regard, in 2020 CAF, S.A. completed the formalities required to join the United Nations Global Compact, confirming its commitment to the ten principles of the Global Compact which stem from the United Nations' declarations on human rights, employment, the environment and the fight against corruption, and enjoy a universal consensus.

The risks associated with respect for human rights can be observed in various spheres such as people management, the environment, the operational area or in matters regarding business ethics, among 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. In relation to a project implemented in Jerusalem, CAF was the subject of a complaint made to the National Contact Point ("NCP") based on an alleged poor application of the OECD Guidelines. CAF agreed to cooperate 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, an analysis was performed of the potential risks relating to the CAF Group's activity in the aforementioned project, and the management thereof.

In fact, the requirement regarding compliance with human rights is a priority matter in the CAF Group's activity and at the beginning of 2020 the Model Due Diligence Procedure for Human Rights at corporate level was updated. This procedure obliges all potential projects (defined as any business activity) to be previously and systematically evaluated from the human rights standpoint, so that an a priori assessment can be made that the CAF Group's participation will not give rise to a breach of human rights as part of the activities carried out by it, as a direct result of its operations or due to the sale of its products or the services provided.

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.



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.

Due to the application of the internal procedures established, no Human Rights violations arising from the CAF Group's involvement in any project were detected.

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

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.

In this connection, the CAF Group adopts the measures it considers necessary to guarantee, in its own operations and upstream among its suppliers, compliance with the provisions of the fundamental conventions of the International Labour Organization (ILO) relating to 1) workers' rights to exercise freedom of association or collective bargaining in all the countries in which the Group carries on its activities, 2) preventing child labour, forced or compulsory labour or the assignation of hazardous labour to young people. In this connection, in application of the statement against slavery and human trafficking in the Modern Slavery Act approved in 2015 in the UK, each year CAF publishes a report on the commitments and measures implemented for the prevention and, where applicable, elimination of such practices at CAF and in its supply chain, and 3) guaranteeing and ensuring equality and non-discrimination in working conditions, prohibiting the adoption of measures that might give rise to direct or indirect discrimination of employees for reason of gender, origin, including racial or ethnic, marital status, social status, religion or convictions, political ideas, sexual orientation, union or non-union membership, family relationships with other workers or related to the company or language.

In relation to this last point, two specific protocols are defined, namely the Protocol for action in the event of sexual harassment or gender harassment and 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 2020 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.

For further information on Human Rights-related matters, see the "2020 Sustainability Report", available on the CAF Group's website.

## **6. FIGHTING CORRUPTION AND BRIBERY**

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 Corporate Governance System is based on the commitment to ethical principles, best practices and transparency, built around protection of social interests and the creation of sustainable value for the CAF Group's stakeholders and, at the same time, enables those principles and best practices to pervade the CAF Group's entire Internal Regulatory System.

Within this framework, combating corruption and bribery are part of the primary Good Governance and Sustainability objectives, and have given rise to the establishment of preventive measures to ensure strict compliance with the legislation in force in the territories in which the CAF Group carries on its activities, including the approval and implementation of a Code of Conduct and a corporate Crime Prevention Manual for the CAF Group.

Since 2011 the CAF Group's Code of Conduct sets out all 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 deals with the Group, and also serves as the basis for any other Codes of Conduct on specific matters that might supplement the former.

The CAF's Code of Conduct is available on the CAF Group's website and has been distributed to all employees via the CAF Group's internal communication channels.

In the implementation of the Code of Conduct, a corporate compliance programme was established, in the form of the CAF Group's Crime Prevention Manual, which was approved, in its initial version, by the Board of Directors of CAF, S.A. on 29 April 2015, of which the Code of Conduct is included as an integral part thereof.

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 certain cases.

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

### **a) Risks and activities related to combating corruption, bribery and money laundering**

The Criminal Compliance risk matrix enables the demarcation, at any given time, of the complete catalogue of offences that may be committed by legal entities, known as the "significant offences", which are those that to a greater or lesser extent may be related to the object of the CAF Group and, consequently, are the offences that determine which actions warrant greater attention from a crime prevention standpoint.

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.

In relation to the legal obligation to report on contributions to foundations and non-profit entities, in 2020, as in 2019, the CAF Group did not make any significant contribution to such organisations.

### **b) Management of specific risks related to combating corruption, bribery and money laundering and specific guidance policies**

The risks identified in the risk map are specifically managed: (i) through the implementation of the guidance policies and the setting up 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 aforementioned Manual; and (iv) by adapting the corporate Criminal Compliance System to the CAF Group subsidiaries to ensure that, as well as the general guidelines being

applied to all the Group companies, local regulations are complied with in those countries that require the establishment of specific guidelines in accordance with their own legislation.

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 classification of an activity as "of risk" does not imply that it is unlawful or criminal, but rather that it is an activity which, if the necessary precautions are not taken, may lead to situations that might give rise to criminal repercussions.

Also, 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, it is mandatory, inter alia, for both the legal representatives and professionals of the CAF Group, as well as the third parties that enter into contracts with CAF Group companies, to observe the General Principles of the CAF Code of Conduct.

In this connection, the General Principles of the CAF Code of Conduct are compulsory 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 against child labour and any other human rights principles included in the UN Global Compact's Universal Declaration of Human Rights, labour and environmental rights, and combating corruption.

In order to ensure the latter, at the beginning of 2020 CAF's Compliance Committee approved a CAF Group Due Diligence Manual for Contracting with Third Parties which constitutes a development of the Crime Prevention Manual and, at the same time, of the CAF Group's Code of Conduct, which must be interpreted in conjunction with the CAF Group's Competition Law Compliance Manual and any implementing regulations thereof.

Specifically, the Due Diligence Manual for Contracting with Third Parties formalises and standardises the due diligence measures that must be adopted systematically prior to contracting with third parties (i.e. Business Partners, Commercial Consultants and Suppliers), and constitutes a tool with corporate scope that allows criteria to be unified and the controls that were being applied in this area to be formalised.

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

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. The aforementioned impacts have a direct effect on corporate activities in the medium- to long-term.

The Compliance Committee or Unit is the CAF Group's body, which has independent powers of oversight and control, that is responsible for developing and overseeing the corporate Criminal Compliance System. There is currently a Compliance Committee, which adopts the most important decisions and also has an Operating Committee to manage Criminal Compliance on an ongoing basis.

The CAF Group's Crime Prevention Manual envisages that the Compliance Committee or Unit may appoint Compliance Officers who would report to the Committee or Unit at the CAF Group subsidiaries or branches in those jurisdictions in which, either because it is required by the local legislation in force, or because it is recommendable in view of the size or characteristics of the subsidiary or branch.

### **c) Compliance-related disclosure and training**

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

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.

In 2020 the Group continued to provide to the CAF Group's personnel the training activities commenced in 2016 aimed at raising awareness of, disseminating and applying the Crime Prevention Manual.

At year-end, the training module on the Crime Prevention Manual had been launched in all the entities within the Group's scope of consolidation. 93% of the employees included in the training plan in this connection completed it. More than 5,600 employees have received training in this area since the programme commenced (2019: 4,762 employees). In 2020 over 850 employees received training. Similarly, there is an employee training system in place, and the aforementioned programme is included in the new employee on-boarding plans. Training materials are kept up-to-date.

Also, all the CAF Group's business partners, in all the regions in which it operates, are informed of the existence and compulsory nature of their compliance with the General Principles of the CAF Code of Conduct.

#### **d) Whistleblowing channel**

The Crime Prevention Manual establishes a general whistleblowing channel for reporting complaints of non-compliance, which is managed by the Compliance Committee. This body regularly analyses the complaints received and, where applicable, takes the appropriate steps based on the specific circumstances of each complaint. If it considers that the complaint warrants greater attention, the Compliance Committee can send the documentation to the relevant department in order to perform a joint assessment of the facts and determine the measures to be adopted.

The Compliance Committee reports to the Board of Directors, the Audit Committee or General Management in accordance with the circumstances and nature of the alleged offences detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

The Manual also establishes the possibility of providing other means for the receipt of reports of non-compliance in those jurisdictions in which this is required by local legislation.

In 2020 the general whistleblowing channel was opened 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, at any time, possibly important irregularities, including financial or accounting irregularities, or those of any other type related to the company of which they become aware at 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. Similarly, the Compliance Committee coordinates with the person responsible for receiving reports via other special channels which affect CAF employees, such as those envisaged with regard to situations concerning discrimination, harassment, bullying or safety at work and which are referred to the corresponding section of this report.

No formal complaints were filed through CAF's general whistleblowing channel in 2020, although two internal investigations were carried out as a result of which the pertinent measures were adopted. Two complaints were received via the whistleblowing channel in 2019, and one more was received via an alternative channel.

#### **e) Adaptation of the Crime Prevention Manual at subsidiaries**

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 2020 resulted in 72 foreign subsidiaries in 37 countries across the five continents.

Basic adaptation of the Crime Prevention Manual for all the subsidiaries that already formed part of the CAF Group at that time was completed in full in 2017 and included: (i) the legal formalities arising from adoption of the CAF Group's Crime Prevention Manual; (ii) recognition of the Compliance Committee or Unit; and also (iii) training and reporting to governing bodies. Thereafter, basic adaptation is carried out on a systematic basis both when a new subsidiary is incorporated and within the framework of the integration plan when a pre-existing entity is included in the CAF Group.

Crime prevention adaptation at international level can be made for a specific country -and in certain cases for a specific subsidiary- through, on the one hand, adaptation of the content of the general corporate guidelines contained in the Manual and, on the other, through the implementation of a Compliance sub-programme, which will depend to a large extent on the existing legislation in the country in question and on the degree of flexibility provided by such regulations to either maintain the common corporate model or not.

More specifically, in 2020 the following set of internationally implemented Criminal Compliance regulations were in place: (i) seven countries in which the general guidelines of the Crime Prevention Manual have been adapted; (ii) four countries in which a complete Criminal Compliance sub-programme is in place, with specific guidelines; and (iii) two more countries in which certain adaptations are under development.

#### **f) Updates of the criminal compliance system**

The Criminal Compliance System is updated on an ongoing basis and, in particular, the CAF Group's Crime Prevention Manual is reviewed periodically (more specifically, it was reviewed in 2016 and 2018); the last amendments were approved by the Board of Directors of CAF, S.A. on 18 December 2018. The Manual will foreseeably be reviewed again in 2021. Following the approval of any new version or a development of the aforementioned Manual, the appropriate dissemination and training measures are taken.

Similarly, the Criminal Compliance risks in the risk map must be periodically reassessed. In 2020 the global reassessment of the Criminal Compliance risks associated with the operating processes of each of the activities carried on by the CAF Group was completed, and improvements and adjustments to the System were planned and made.

For further information on Combating Corruption and Bribery, see Chapter 2, "Good Corporate Governance" of the "2020 Sustainability Report", available on the CAF Group's website.

## 7. SOCIAL MATTERS

The CAF Group fosters Sustainability principles in its activities and at its Group companies, balancing the performance of its mission with the interests of the surrounding community and the various stakeholders on a sustainable, long-term basis.

This commitment takes many shapes and forms, such as: (i) the development of initiatives aimed at improving the quality of life in the communities where it operates and in its the areas adjacent to its activities; (ii) the promotion of responsible practices in the value chain and pursuit of competitiveness and quality when selecting suppliers; (iii) the project, product and service offering that best suits customers' needs at any given time, providing the best quality and confidence therein; (iv) the building of trust and distribution of value in the Spanish and international market through responsible action, particularly in relation to tax, to this end employing committed personnel who act loyally, transparently and in good faith.

### A) The Group's commitment to sustainable development

The CAF Group engages in activities that contribute to the well-being and improvement of the communities in which it operates; certain of these are intrinsic to the Group's own activities, such as investments in sustainable transport networks, while others relate to the promotion of activities that contribute to economic development, knowledge generation, the furtherance of education and the promotion of social and cultural matters, as stated in the Sustainability Policy.

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.

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 in 2019 and 2020 more than 90% of the workers were local<sup>31</sup>, working under general conditions aligned with the Remuneration and Labour Relations Policies applicable at the Group companies.

In relation to the creation and conservation of indirect employment, it should be noted that in 2020 the proportion of spending on local suppliers amounted to 65%<sup>32</sup> (2019: 58%). Also, through its purchasing process CAF helps these suppliers to respect the ethical principles included in the Code of Conduct and in the Suppliers Code of Conduct.

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. These initiatives include the collaboration at regional level beginning more than ten years ago, which resulted in the creation of Goierri Valley and CAF's participation in the project as a driving force and member of the executive committee. With a different level of intensity and a broader scope, CAF continues to participate in the activities of entities from the economic world which are relevant from a business or industry standpoint, including, but not limited to, the following: *ADEGI (Guipúzcoa Employers Association)*, *Círculo de Empresarios*, *CEOE (Confederation of Employers and Industries of Spain)*, *MAFEX (Spanish Railway Association)*, *UITP (International Association of Public Transport)*, *UNIFE (Association of the European Rail Industry)* and the *European Railway Research Advisory Council (ERRAC)*, the European technology platform for the railway industry.

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<sup>31</sup> Including available data relating to the Group's employees, understanding local to mean located in the same country of birth.

<sup>32</sup> Including the data relating to purchases made at the Group's significant establishments, which represent 91% of CAF's headcount (2019: 90%).

Also, CAF is committed to improving the resilience and competitiveness of its suppliers. To this end, in 2020, in addition to continuing with the Supplier Development Programme using the lean methodology initiated in 2019<sup>33</sup>, a new project was implemented to organise the extended supply and industry chain with 10 local strategic suppliers. The purpose of this project is to multiply efficiency by integrating and synchronising shared logistics processes. The initiative is supported by the Etorikizuna Eraikiz programme of the Provincial Government of Guipúzcoa with the cooperation of the Tecnológica Igarle consulting firm.

As in previous years, the CAF Group continued to collaborate in order to generate knowledge in its field of activity, promoting various initiatives including most notably the following.

CAF participates in the governing or management bodies of various innovation-oriented associations and knowledge centres, including CEIT, CiC Nanogune, Lortek and the Tecnalia Research & Innovation Foundation. Also worthy of mention are the cooperation with Donostia International Physics Center, as founding member of the Board of Trustees, and Solaris' involvement in the Hydrogen Europe association.

CAF is also 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.

In order to promote knowledge among students and researchers, the Group collaborates with universities and research centres. In this connection, of note at domestic level is the collaboration with the CEIT technology centre, the Tecnun School of Engineering and the Mondragón University Faculty of Engineering, to design syllabuses, provide training and collaborate in the definition of projects or design work experience at companies. At international level, and specifically in the US, CAF collaborates with the "Boards of Cooperative Educational Services of New York" in identifying and developing professionals' changing training and skills requirements. Also, of note in Poland is the doctoral thesis programme implemented by Solaris Bus & Coach together with AGH University of Science and Technology in Krakow, the aim of which 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.

Similarly, the Group remains committed to training future professionals and with this in mind establishes agreements to collaborate with educational institutions or entities that foster youth employment in the area in which it operates. It has in-force agreements with the main universities and professional schools. In 2020, the international activity which encourages internships for graduates at CAF Group headquarters diminished as a result of the impact of the COVID-19 pandemic and the mobility restrictions established. However, a certain amount of mobility of interns at certain CAF Group headquarters in countries such as Sweden, the UK, Hungary, the Netherlands and Norway continued.

Similarly, CAF's participation in two European initiatives coordinated by UNIFE in 2020 must be highlighted.

The first of them is called "Hop-on The Planet" and is driven by the main train suppliers in Europe with the purpose of showing how this industry is accelerating Europe's technological and ecological future; this initiative aims to explain that the train is the way towards sustainable transport and provides a great opportunity for people with a STEM education who are looking for innovative jobs that contribute to the decarbonisation of transport.

CAF also participated 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. The railway is also responsible for less than 2% of final energy use in transport, and will, accordingly, be the backbone of the ecological European transport system of the future. However, the industry is currently suffering from a considerable scarcity of competencies, as a large part of its workforce will retire in 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. This initiative 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.

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<sup>33</sup> The COVID-19 pandemic has made it especially difficult to develop this programme due to the difficulty of organising on-site meetings. For this reason, only two suppliers participated in the programme in 2020.

Also, in 2020 CAF cooperated with the international First Lego League Euskadi tournament, the purpose of which is to make young people interested in science and technology. The tournament is aimed at pupils between 10 and 16 years old and designed for them to work in teams as a formula for committing to collaborative and cooperative learning. The theme proposed this year was CITY SHAPER, constructing better environments to live and work in.

Lastly, 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. The main institutions with which CAF actively collaborated in 2020, thereby contributing to their development, both in Spain and abroad, are as follows: the Goierrri Eskola Foundation, which is an educational project based on comprehensive training of individuals, thereby contributing to local social and cultural development: the SuEskola Foundation, which provides fire prevention and fire-fighting training using innovative technology that incorporates actual fire; the Green Dachshund Foundation, created in 2012 by Solaris Bus & Coach to help the most vulnerable.

#### **b) Incorporation of Sustainability into the supply chain management strategy**

With a view to promoting the Sustainability of the Group's supply chain, in 2020 the Corporate Suppliers Forum prepared a new Corporate Purchasing Policy that defines and specifies the management model that all the Group's business lines must follow in order to manage their relationship with their suppliers. It must be highlighted that this policy contains a commitment to foster sustainable purchasing in line with the requirements laid down in the Corporate Suppliers Code of Conduct.

In this connection, the CAF Group requires all of its suppliers to comply with the ethical principles laid down in CAF's Code of Conduct published on the corporate website, including social, ethical and environmental commitments <sup>34</sup>.

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.

In 2020 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.

Through this, CAF reserves the right to verify its direct suppliers' compliance with the Code. This verification can be performed by various means, for example, self-assessment surveys or audits at supplier facilities.

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 medium-term effect; however, they may extend to the medium term due to the search for replacement suppliers.

To obtain Sustainability assessments on suppliers in the Group's main line of business, i.e., vehicle manufacturing, priority is given to those representing a greater environmental, social and ethical risk, 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, among others.

The assessment is performed through Ecovadis, a world leader in this area and a Sustainability assessment platform chosen by the members of the Railsponsible<sup>35</sup> initiative to manage supplier Sustainability.

Ecovadis adjusts the assessment survey to each supplier based on the locations in which it operates, its industry and its size in order to assess 21 Sustainability aspects aligned with the strictest international rules, regulations and standards, including those of the Global Reporting Initiative (GRI), the International Labour Organization (ILO), the UN Global Compact and ISO 26000:2012. Suppliers' responses are assessed by specialised analysts who pay particular attention to whether the documentary evidence is consistent and recent, and whether it shows that actions have been taken in reviewing the policies, actions and outcomes

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<sup>34</sup> Representative figure of 76% of purchases made at Spanish and international subsidiaries in relation to the main lines of business in 2020 (Rolling Stock, Railway Services, Components, Signalling, Power and Traction Equipment, and Engineering and Buses).

<sup>35</sup> The industry initiative in which CAF cooperates with other stakeholders in the development of sustainable practices throughout the railway industry's value chain.



in the various areas. This analysis results in a general rating of up to 100 points, which represents excellent Sustainability management.

When the outcome of an assessment does not meet the requirements established by CAF, the supplier is requested to implement an action plan to improve any 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.

The main outcomes of the 2020 CAF Vehicles Responsible Purchasing Programme are as follows:

### **Main outcomes of the Responsible Purchasing Programme**

		<b>2020</b>	<b>2019</b>
Number of suppliers assessed		46	39
Coverage of the Sustainability evaluations as a percentage of the amount of purchases of Material and Equipment		57%	55%
General Sustainability indicator	Of suppliers of CAF's Vehicles activity	55.7/100	52.9/100
	Of all suppliers evaluated by Ecovadis at worldwide level	43/100	42.9/100
Change in the Sustainability indicator of CAF's suppliers	Improved	65%	50%
	Unchanged	19%	20%

As regards supplier risk, in 2020, as in 2019, no material or equipment purchases were made from suppliers with high Sustainability risk; and the percentage of such purchases made from suppliers with a medium-high risk was 2 percentage points lower than in 2019 at 5%.

In this connection, Sustainability audits were conducted of two suppliers classified as having medium-high risk in order to assess the supplier's Sustainability management and facilitate the setting up of an Improvement Plan. Also, a potential social risk was identified at one of the suppliers included in the Responsible Purchasing Programme and, accordingly, a Sustainability audit was conducted, which was performed and supervised by the bodies responsible for this matter.

Lastly, it must be stated that in 2020 no notifications of conflicts of interest or breaches of the commercial ethics in the Suppliers Code of Conduct were received through the whistleblowing channel [whistleblowerchannel.suppliers@caf.net](mailto:whistleblowerchannel.suppliers@caf.net).

With respect to 2021, it must be stated that it has been agreed to extend the Responsible Purchasing Programme to the Group's main activities.

#### **c) Quality in products and services**

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 detailed in the "Main risks and uncertainties" chapter of the Group's consolidated Directors' Report.

One of the commitments undertaken by CAF through this policy is to satisfy customer needs and expectations, providing customers with high-quality goods and services (in terms of safety, reliability and availability), above and beyond contractual, legal and regulatory requirements.

To meet customer expectations throughout the entire life cycle and ensure compliance with the applicable legal requirements, a proprietary quality and security 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.

Customer claims form part of the Cost of Poor Quality, among other aspects. These claims require the immediate establishment of repair actions, a root cause analysis and the establishment of definitive corrective actions. The change in the aforementioned indicator was positive in 2016 to 2020 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.

#### Customer claims

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

In addition, CAF management also undertook to implement at our organisations quality management systems by process in order to maximise customer satisfaction and loyalty, in balance with the results obtained by other stakeholders. This Management System is certified or accredited under various standards, those relating to quality and safety are as follows:

#### Quality and safety certificates

Certificate	Field	Scope (2020 headcount)	Outlook
ISO 9001	Quality Management	~ 90% of the Group	Unchanged
ISO TS 22163 (IRIS)	Railway applications — Quality management system	~ 80% Railway (design and production)	Scope extension
EU 402/2013 EU 445/2011 EU 779/2020	(402) Management of safety in operation (445-779) Management of safety in maintenance	~ 85% Railway Europe	Unchanged
EN 50126	Safety Management System	~ 90% Railway (design and production)	Unchanged
ISO 27001	Cybersecurity management	~ 30% of the Group	Scope extension

The management model was rolled out at the entire Group, and, accordingly, the actual scope of the system in each field is more extensive than that of the certificates. The model is adapted to local legislation, customer requirements or the specific nature of the business.

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.

#### d) Safety in products and services

In accordance with the provisions of the Sustainability Policy, the Group defined the Safety Policy, which is corporate in scope, in order to establish the basic principles that enable us to offer safe products and services for users, customers and other stakeholders. For these purposes, safety is considered to be everything that relates to the physical safety of individuals using CAF's products and services and their IT security or cybersecurity, and also of our facilities. It is the Technology Department's (CTO) responsibility to ensure compliance with this Policy, for which purpose it has established the required internal control mechanisms as follows.

Non-compliance with safety commitments in the area in which CAF carries on its activities might even have an impact on human health. The risks that CAF faces in this area are, among others, and ordered by the time horizon of the impact: (i) stoppage of operations in the event that a security problem had arisen or was suspected, (ii) return of products and services suspected of not being safe, (iii) penalties and/or lawsuits initiated by the customer or other parties affected, and (iv) reputational damage impacting on the company in its relationship with all the stakeholders. The management of these risks is integrated into the corporate risk control and management system detailed in the "Main risks and uncertainties" chapter of the Group's consolidated Directors' Report.

In the aforementioned policy, CAF undertakes to protect individuals from accidents and incidents originating with or relating to our products and services, whether physical or IT-based. For the latter, specific cybersecurity management activities are habitually planned and carried out in customer projects.

As can be observed in the following indicators, the early identification of safety incidents in both our products and services and our IT systems, i.e., security breaches that could give rise to potential accidents involving bodily injuries or cybersecurity breaches evidence that the security system implemented guarantees achievement of the objective of zero accidents and zero instances of IT leaks or ransomware.

The change in the “potentially serious” cybersecurity incidents indicator measures the number of attacks registered and shows an upward trend, mainly for two reasons; the increase in the use of digital solutions due to the digitisation of the Group, which was accelerated by COVID-19, and the increase in the number of external cyber attacks. However, as previously discussed, none of the “potentially serious” incidents registered gave rise to an IT leak or ransomware. Despite the good results, and for the purpose of responding to the increase in risk, the Group defined a plan to strengthen the cybersecurity system.

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

### Security indicators

Indicator	Measure	Scope	Change	Outlook
<b>Health and physical safety</b>				
Security incidents	Security incidents 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
<b>Cybersecurity</b>				
Potentially serious incidents	“Potentially serious” cybersecurity incidents per year	Group	Increase. Above the objective.	Increase
Actual serious incidents	Actual serious cybersecurity incidents per year (IT leaks or ransomware)	Group	0 actual serious incidents. In line with the objective	Unchanged

### E) Tax information

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.

CAF’s Tax Policy includes its tax principles, which are based on the Code of Conduct, the Sustainability Policy and the General Risk Management and Control Policy, and must act as a blueprint for the conduct of all the personnel and entities to which it applies. CAF’s Tax Policy specifies that these principles will be implemented in accordance with CAF’s general principles, specifically those relating to good faith and integrity vis-à-vis all stakeholders.

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 businesses 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.

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.

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:

	2020 (thousands of euros)		2019 (thousands of euros)	
	Profit (Loss) before tax <sup>36</sup>	Income tax paid (recovered) <sup>37</sup>	Profit (Loss) before tax	Income tax paid (recovered)
Germany	3,658	1,553	3,417	527
Saudi Arabia	5,636	805	1,646	745
Brazil	23,809	3,806	(14,093)	5,329
Chile	90	(838)	1,771	2,807
Spain	(98,377)	1,751	(14,054)	4,928
Italy	59	36	(4,234)	81
Mauritius	1,170	79	251	29
NAFTA <sup>38</sup>	43,095	24,534	43,964	15,446
Poland	26,601	6,236	(1,859)	661
UK	225	238	(2,274)	(43)
Sweden	(5,646)	(854)	(340)	2,643
Turkey	(1,440)	58	355	119
Other	2,160	869	4,237	586
Consolidation adjustments <sup>39</sup>	48,037		42,351	
<b>Total</b>	<b>49,077</b>	<b>38,273</b>	<b>61,138</b>	<b>33,858</b>

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 5,366 thousand in 2020 (2019: EUR 4,633 thousand).

<sup>36</sup> Profit or loss before tax in each country, including additional consolidation adjustments to eliminate dividends and internal margins, among others.

<sup>37</sup> Tax payments in 2020 obtained from the consolidated statement of cash flows of the consolidated financial statements.

<sup>38</sup> This group includes countries in respect of which the related disclosures would involve revealing information that is protected by means of confidentiality clauses.

<sup>39</sup> Profit or loss of entities accounted for using the equity method with elimination of the provision of investees on consolidation.

## 8. REFERENCE TABLE FOR THE NON-FINANCIAL INFORMATION STATEMENT AND GRI DISCLOSURES

	GRI	Page
<b>0. Introduction</b>		
The Group's business model	(1)	The Group's consolidated Directors' Report
Description of the Group's policies	103-2 Management Approach ("MA") indicated in each chapter	See sections I-V
Main risks concerning these matters relating to the Group's activities	102-11, 102-15	The Group's consolidated Directors' Report, "Main risks and uncertainties", 35, 41, 49, 51, 55, 57, 58, 59
<b>I. Environmental activity</b>		
Current and foreseeable effects of the Group's activities on the environment and, where applicable, on health and safety	102-15	35
Environmental certification or assessment procedures	GRI 103-2, MA for GRI 307 102-11	36 - 37
Resources used to prevent environmental risks	(1)	36 - 37
Application of the precautionary principle	102-11	35
Provisions and guarantees for environmental risks	307-1	35
<i>Pollution</i>		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment	GRI 103-2, MA for GRIs 302 and 305	35 - 40
Measures to prevent, reduce or repair emissions of any form of air pollution	GRI 103-2, MA for GRI 305	35 - 40
<i>Circular economy and waste prevention and management:</i>		
Waste prevention measures	GRI 103-2, MA for GRI 306	36, 37, 39
Waste recycling measures	GRI 103-2, MA for GRI 306 306-2	39
Waste reuse measures	GRI 103-2, MA for GRI 306	39
Other forms of waste recovery and disposal	GRI 103-2, MA for GRI 306	39
Actions to combat food waste <sup>40</sup>		
<i>Sustainable use of resources:</i>		
Water consumption and supply according to local constraints	GRI 103-2, MA for GRI 303 303-5	40
Consumption of raw materials	301-1	37
Measures adopted to improve the efficiency of raw material use	GRI 103-2, MA for GRI 301	37
Direct and indirect energy consumption	(1)	38
Measures adopted to improve energy efficiency and use of renewable energies	GRI 103-2, MA for GRI 302	36 - 38
<i>Climate change:</i>		
Significant elements of the greenhouse gas emissions resulting from the Group's business	GRI 103-2, MA for GRI 305 305-1, 305-2	38 - 39
Measures adopted to adapt to the consequences of climate change	GRI 103-2, MA for GRI 305	35 - 40
Reduction targets set in the medium and long term to reduce greenhouse gas emissions	GRI 103-2, MA for GRI 305	38-39
Measures implemented to reduce greenhouse gas emissions	GRI 103-2, MA for GRI 305	36, 38, 39
<i>Protection of biodiversity<sup>41</sup></i>		
<b>II. Human resources</b>		
<i>Employment</i>		
Total number of employees and breakdown by gender, age, country and professional category.	102-8	41 - 42
Total number and types of employment contracts	102-8	42 - 43

<sup>40</sup> This content is not material in relation to the CAF Group's business activity, as concluded from the materiality analysis.

<sup>41</sup> 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.

	GRI	Page
Annual average number of permanent, temporary and part-time contracts by gender, age and employee category	102-8	43
Number of terminations by gender, age and employee category	(1)	43
Average remuneration by gender, age and employee category	102-36	43 - 44
Gender pay gap	(1)	43 - 44
Remuneration of identical job positions or average remuneration at the Group	GRI 103-2, MA for GRI 405	43 - 44
Average remuneration of directors and executives	102-35	44 - 45
Implementation of disconnection from work measures	GRI 103-2, MA for GRI 401	45
Employees with a disability		47
<i>Work organisation</i>		
Organisation of working time	GRI 103-2, MA for GRI 401	45
Absenteeism figures	(1)	48
Measures to facilitate work-life balance and encourage shared parental responsibility	GRI 103-2, MA for GRI 401	45
<i>Health and Safety</i>		
Healthy and safe working conditions.	GRI 103-2, MA for GRI 403	47 - 48
Occupational accidents, in particular the frequency and severity thereof	(1)	48
<i>Labour relations</i>		
Organisation of labour/management relations	GRI 103-2, MA for GRI 402	45
Percentage of employees covered by collective bargaining agreements by country	102-41	45
Assessment of collective agreements, particularly in the field of occupational health and safety	403-1	47
<i>Training</i>		
Training policies implemented	GRI 103-2, MA for GRI 404	45
Total number of hours of training by employee category	(1)	45
<i>Accessibility</i>		
Universal accessibility for people with disabilities	GRI 103-2, MA for GRIs 405 and 406	46-47
<i>Equality</i>		
Measures adopted to promote equal treatment and opportunities for men and women	GRI 103-2, MA for GRI 405	45 - 47
Equality plans	GRI 103-2, MA for GRIs 405 and 406	46
Measures adopted to promote employment	GRI 103-2, MA for GRI 401	45 - 47
Protocols against sexual and gender-based harassment	GRI 103-2, MA for GRIs 405 and 406	46
Integration and universal accessibility for persons with disabilities	GRI 103-2, MA for GRIs 405 and 406	46-47
Anti-discrimination policy and, where appropriate, diversity management policy	GRI 103-2, MA for GRIs 405 and 406, 406-1	45 - 49
<b>III. Respect for human rights</b>		
Application of human rights due diligence procedures	GRI 103-2, MA for GRI 412 102-16, 412-2	49 - 50
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 103-2, MA for GRI 412	49 - 50
Complaints of violations of human rights	(1)	49 - 50
Promotion and fulfilment of the provisions of the fundamental conventions of the ILO in relation to respect for freedom of association and the right to collective bargaining, elimination of forced or compulsory labour and abolition of child labour.	GRI 103-2, MA for GRI 407 GRI 103-2, MA for GRI 409 GRI 103-2, MA for GRI 409	49 - 50
<b>IV. Fighting corruption and bribery</b>		
Measures adopted to prevent corruption and bribery	GRI 103-2, MA for GRI 205, 102-16	51 - 54
Anti-money laundering measures	GRI 103-2, MA for GRI 205, 102-16	51 - 54
Contributions to foundations and not-for-profit entities	(1)	51
<b>V. Social matters</b>		

	GRI	Page
<i>The Group's commitment to sustainable development:</i>		
Impact of the Group's activity on employment and local development	GRI 103-2, MA for GRI 203 203-2, 204-1	55 - 61
Impact of the Group's activity on local populations and on the territory	GRI 103-2, MA for GRI 203 203-2	55 - 61
Relationships and dialogue with local community players	GRI 103-2, MA for GRI 203 203-2, 102-43	27 - 29, 55 - 61
Association or sponsorship activities	102-13	55 - 61
<i>Outsourcing and suppliers:</i>		
Inclusion of social, gender equality and environmental issues in the procurement policy	GRI 103-2, MA for GRIs 308 and 414	57 - 58
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 103-2, MA for GRIs 308 and 414	57 - 58
Supervision and audit systems and results thereof	GRI 103-2, MA for GRIs 308 and 414	57 - 58
<i>Consumers:</i>		
Consumer health and safety measures	GRI 103-2, MA for GRI 416	58 - 60
Complaint systems, grievances received and resolution	GRI 103-2, MA for GRI 416	58 - 60
<i>Tax information:</i>		
Earnings obtained on a country-by-country basis	(1)	60 - 61
Income tax paid	(1)	60 - 61
Government grants received	(1)	61

(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.

**Construcciones y Auxiliar  
de Ferrocarriles, S.A. and  
Subsidiaries composing  
the CAF Group  
(Consolidated)**

Independent limited assurance report  
on the consolidated Non-Financial  
Information Statement (NFIS) for the year  
ended 31 December 2020



*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES FOR 2020**

To the Shareholders of Construcciones y Auxiliar de Ferrocarriles, S.A.:

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the accompanying Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 December 2020 of Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries ("the Group"), which forms part of the accompanying Directors' Report of the Group.

The content of the NFIS includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting, that was not the subject matter of our verification. In this regard, our work was limited solely to verification of the information identified in the "Reference table for the non-financial information statement and GRI disclosures" in the accompanying Directors' Report.

### **Responsibilities of the Directors**

The preparation and content of the NFIS included in the Group's Directors' Report are the responsibility of the Board of Directors of CAF. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected Global Reporting Initiative Sustainability Reporting Standards (GRI standards), as well as other criteria described as indicated for each matter in the "Non-financial information statement content and GRI content reference table" of the Directors' Report.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of CAF are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

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## Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding Non-Financial Information Statements.

The procedures performed in a limited assurance engagement vary in nature and timing form, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also substantially lower.

Our work consisted in requesting information from management and the various units of CAF that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the 2020 NFIS based on the materiality analysis performed by the Group and described in the "Introduction" section of the NFIS, also taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2020 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the 2020 NFIS.
- Verification, by means of sample-based tests, of the information relating to the contents included in the 2020 NFIS and the appropriate compilation thereof based on the data furnished by CAF's information sources.
- Obtainment of a representation letter from the directors and management.

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## Conclusion

Based on the procedures performed in our verification and the evidence obtained, nothing has come to our attention that causes us to believe that the Group's NFIS for the year ended 31 December 2020 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Reference table for the non-financial information statement and GRI disclosures" of the Directors' Report.

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## Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.



Pablo Mugica  
25 February 2021

## **13.- ANNUAL CORPORATE GOVERNANCE REPORT FOR 2020**

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*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](http://www.caf.net)). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**ISSUER IDENTIFICATION DETAILS**

YEAR END-DATE

31/12/2020

TAX ID (CIF)

A20001020

Company name:  
CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.

Registered office:

JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GIPUZKOA

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED PUBLIC LIMITED COMPANIES**

**A. CAPITAL STRUCTURE**

A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	34,280,750

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes  
[v] No

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	24.56	0.00	0.00	0.00	24.56
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
DANIEL BRAVO ANDREU	0.00	5.00	0.00	0.00	5.00
NORGES BANK	3.04	0.00	0.22	0.00	3.26
INVESCO LIMITED	0.00	1.02	0.00	0.00	1.02

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
DANIEL BRAVO ANDREU	DANIMAR 1990, S.L.	5.00	0.00	5.00
INVESCO LIMITED	GROUP'S COMPANIES	1.02	0.00	1.02

Indicate the most significant changes in the shareholder structure during the year:

Most significant changes

On 12 March 2020, DANIMAR 1990, S.L. reached the threshold of 5% of the share capital.

On 14 April 2020, the ownership interest of EDM GESTIÓN, Sociedad Anónima Unipersonal, S.G.I.I.C. dropped below the threshold of 3% of the share capital.

On 22 June 2020, NORGES BANK exceeded the threshold of 3% of the share capital.

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<b>Total percentage of voting rights held by the Board of Directors</b>	0.00
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Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments
No data					

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A	Contractual	Workers' share instrument in CAF's share capital
KUTXABANK, S.A.	Corporate	Creation of an Economic Interest Grouping for projects with Metro of Barcelona

A.6 Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	KUTXABANK, S.A.	Ms Zenarrutzabeitia is a member of the Board of Trustees of several Voluntary Social Welfare Entities (EPSVs) of BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	Mr Domínguez de la Maza is a member of the Board of Directors of INDUMENTA PUERI, S.L. as well as joint and several attorney-in-fact of the latter and of GLOBAL PORTFOLIO INVESTMENTS, S.L.

Ms Idoia Zenarrutzabeitia Beldarrain has been appointed as Proprietary Director by proposal of the significant shareholder KUTXABANK, S.A., on 13 June 2020, replacing the director Mr José Antonio Mutiloa Izaguirre whose position expired on 11 June of the same year.

Furthermore, Mr. Manuel Domínguez de la Maza was also appointed as Proprietary Director of the Company, under the resolution of the Annual General Meeting of the same date, in representation of the significant shareholder INDUMENTA PUERI, S.L.

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

- Yes  
 No



Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

- Yes  
 No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

- Yes  
 No

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The CAF General Meeting held on 13 June 2020 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates. b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law. c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law. d) Acquisitions shall be done at market price. e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force. f) This authorisation shall be valid for a five-year term.

Also, the Annual General Meeting held on 2 June 2018 resolved to empower the Board of Directors to increase the share capital through the issuance of new shares against monetary contributions over a period of five (5) years and up to half of the amount of the share capital, pursuant to Article 297.1.b) of the Spanish Limited Liability Companies Law.

A.11 Estimated floating capital:

	%
Estimated floating capital	47.09

A.12 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

- Yes  
 No

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

- Yes  
 No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

- Yes  
 No

If so, indicate each share class and the rights and obligations conferred.

**B. GENERAL SHAREHOLDERS' MEETING**

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B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

- Yes  
 No

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

- Yes  
 No

**B.3 Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.**

The regime for modifying the Company Bylaws does not present differences with respect to the provisions of Articles 285 et seq of the Consolidated Text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, which require the approval of the Annual General Meeting with the majorities indicated in Articles 194 and 201 of that Law.

Therefore, section eight of Article 13 of the Bylaws empowers the Annual General Meeting to resolve upon the modification thereof. Article 20 of those Bylaws provides that, in order to adopt resolutions on the issuance of convertible debentures or of bonds that give bondholders a share in company profits, the increase or reduction of capital, the suppression or limitation of the pre-emption rights of new shares, the transformation, merger or spin-off of the Company or the transfer en bloc of assets and liabilities, the transfer of the registered address abroad and, in general, any modification of the Bylaws, it will be necessary, on first call, that the shareholders in attendance, in person or by proxy, account for at least 50% of the share capital with voting rights. On second call, the attendance of shareholders accounting for 25% of the share capital will be sufficient. On second call, when the shareholders in attendance account for 25% or more of the share capital with voting rights but less than 50%, the aforementioned resolutions may be adopted validly with the vote of two thirds of the capital present either in person or by proxy at the Meeting. Also, in compliance with the provisions of Article 286 of the LSC, when the Ordinary or Extraordinary General Meeting has to resolve on the modification of the Bylaws, the notice of call must with due clarity express the matters to be modified and the rights of every shareholder to examine at the registered office the full text of the proposed modification and the report thereon, as well as to request that these documents be delivered or sent (Article 16 of the Bylaws).

Pursuant to Article 21 of the Bylaws, the shareholders that hold a thousand or more Company shares may attend the Annual General Meeting and take part in its deliberations with a right to speak and vote. Shareholders that have fewer shares may group together and give their representation to another shareholder in order to reach a thousand or more shares. Any shareholder entitled to attend may be represented at the Annual General Meeting by another person, even if that person is not a shareholder.

**B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:**

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
10/06/2017	27.60	43.52	0.00	0.00	71.12
Of which, free float:	0.09	23.08	0.00	0.00	23.17
02/06/2018	25.53	49.17	0.00	0.00	74.70
Of which, free float:	0.23	28.82	0.00	0.00	29.05
15/06/2019	37.52	34.54	1.64	1.66	75.36
Of which, free float:	2.29	26.54	1.64	1.66	32.13
13/06/2020	24.63	47.14	5.62	0.00	77.39
Of which, free float:	0.00	31.39	0.62	0.00	32.01

**B.5 Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.**

- [ ] Yes  
 [ v ] No

B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

- Yes  
 No

<b>Number of shares required to attend General Meetings</b>	<b>1,000</b>
<b>Number of shares required for voting remotely</b>	<b>1</b>

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

- Yes  
 No

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The corporate information is available under "Shareholders and investors" of the corporate web site ([www.caf.net](http://www.caf.net)). The complete path is <http://www.caf.es/es/accionistas-inversores/index.php>.

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Spanish Capital Companies Act, the Consolidated Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 23 June, from the National Securities Market Commission, on technical and legal specifications and information to be contained in the web sites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Code of Conduct within the sphere of Securities Markets; the membership of the Board of Directors and its committees; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Reports on the "Modern Slavery Act" and Sustainability Report).

In addition, the subsection on "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the resolutions adopted after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

In order to facilitate the exercise of remote voting rights, proxy voting and telematic attendance at the Annual General Meeting, for the first time in 2020 a computer platform was enabled on the Company's website, indicating the rules applicable to each case.

## C. STRUCTURE OF THE COMPANY'S ADMINISTRATION

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	11

C.1.2 Complete the following table on Board members:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR ANDRÉS ARIZKORRETA GARCÍA		Executive	CHAIRMAN AND CEO	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JUAN JOSÉ ARRIETA SUDUPE		Other External	DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR JAVIER MARTÍNEZ OJINAGA		Independent	COORDINATING INDEPENDENT DIRECTOR	13/06/2015	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
MR JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	10/06/2017	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR IGNACIO CAMARERO GARCÍA		Independent	DIRECTOR	15/06/2019	15/06/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS MARTA BAZTARRICA LIZARBE		Executive	DIRECTOR – SECRETARY OF THE BOARD	22/01/2016	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MS IDOIA ZENARRUTZABEITIA BELDARRAIN		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MR MANUEL DOMÍNGUEZ DE LA MAZA		Proprietary Director	DIRECTOR	13/06/2020	13/06/2020	AGREEMENT GENERAL SHAREHOLDERS' MEETING

<b>Total number of directors</b>	<b>11</b>
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR JOSÉ ANTONIO MUTILOA	Proprietary Director	11/06/2016	13/06/2020	--	No

Cause of removal, when it has occurred prior to the conclusion of the term of office and other observations; information on whether the director has sent a letter to the other board members and, in the case of removals of non-executive directors, explanation or opinion of the director who has been removed by the Annual General Meeting

After the Annual General Meeting held on 13 June 2020, Mr. José Antonio Mutiloa Izaguirre's a membership of the Company's Board of Directors expired, at the end of the four-year term for which he was appointed director pursuant to a resolution of the Annual General Meeting of 11 June 2016

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MR ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. He has been a Director of CAF since 1991. On 26 July 2006, he was appointed Chief Executive Officer, a post he has held ever since. Since 29 December 2015, he has been Chairman of the Board of Directors of CAF.
MS MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Management from ICADE. She has developed her professional career at CAF and holds the position of Director of the Group’s Legal and Compliance Department. She is Secretary of the Board of Directors of CAF and its Committees.

<b>Total number of executive directors</b>	<b>2</b>
<b>Percentage of Board</b>	<b>18.18</b>

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MS IDOIA ZENARRUTZABEITIA BELDARRAIN	KUTXABANK, S.A.	Ms. Idoia Zenarrutzabeitia is a graduate in Law specialising in law and economics, from University of Deusto. She has held, among others, the positions of member of the Basque Parliament and Deputy-Lehendakari (President) and Minister of Finance and Public Administration of the Basque Autonomous Community Government-. She has been Director of the National Energy Commission and the Spanish National Markets and Competition Commission (CNMC). She is currently a member of the Board of Trustees of several EPSVs of BBK.
MR MANUEL DOMÍNGUEZ DE LA MAZA	INDUMENTA PUERI, S.L.	Mr. Manuel Domínguez de la Maza is a graduate in Economics from Universidad de Málaga and holds an MBA from IESE as well as a Master’s Degree in Leadership from Columbia University, among other post-graduate studies. Most of his professional career has been spent in Mayoral Moda Infantil, S.A., where he has held the position of General Manager since 2007.

<b>Total number of proprietary directors</b>	2
<b>Percentage of Board</b>	18.18

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
MR JAVIER MARTÍNEZ OJINAGA	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management.
MS CARMEN ALLO PÉREZ	Graduate in Exact Science and holder of a Master's Degree in Business Management from "Instituto de Empresa". Most of her professional career has been spent in the financial industry, occupying various management positions. She has been an independent director and Chairwoman of the Audit Committee of eDreams ODIGEO.
MR JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors, where he has held various senior executive positions. He is also the sole director of Samuelson Consulting, S.A. and Samuelson Logistics, S.A. and a board member of CITYNET, S.A.
MS ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is also a partner of the consulting firm Vesper Solutions.
MR IGNACIO CAMARERO GARCÍA	Graduate in Physics from Universidad de Valladolid. During his professional career he has worked in the Telecommunications and Information Technology industries, and held various senior executive positions. He is currently a member of the Advisory Committee of Ericsson España and Accenture.

<b>Total number of independent directors</b>	5
<b>Percentage of Board</b>	45.45

The independent directors have not received any payment or benefits other than directors' remuneration; nor have they had any business dealings with the Company or any Group company.

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		



**OTHER EXTERNAL DIRECTORS**

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reasons	Company, director or shareholder to whom the director is	Profile
MR LUIS MIGUEL ARCONADA ECHARRI	Director Mr. Luis Miguel Arconada Echarrri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.	MR LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world.
MR JUAN JOSÉ ARRIETA SUDUPE	The director Mr. Juan José Arrieta Sudupe does not have any relationship with the Company or with its senior executives or shareholders. However, he cannot be classed as independent since he has been a director for a continuous period exceeding 12 years.	MR JUAN JOSÉ ARRIETA SUDUPE	Mr Juan José Arrieta holds a doctorate in Economics and Business Studies from Universidad de Deusto. He has a broad experience in managing of financial institutions and prestigious business schools.

<b>Total number of other external directors</b>	2
<b>Percentage of Board</b>	18.18

Indicate any changes that have occurred during the period in each director's category:

Name of director	Date of change	Previous Status	Current status
MR JUAN JOSÉ ARRIETA SUDUPE	07/06/2020	Independent	Other external

Pursuant to Article 529 duodecies of the Spanish Limited Liability Companies Law, Mr. Juan José Arrieta Sudupe went on to hold the category of "Other external director" after having spent a continuous period of twelve years as a member of the Board of Directors, since having first been appointed as a director on 7 June 2008, a fact that was reported to the market through the corresponding communication of Other Relevant Information.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of directors for each			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive	1	1	1	1	50.00	50.00	50.00	50.00
Proprietary	1				50.00	0.00	0.00	0.00
Independent	2	2	2	2	40.00	33.33	40.00	40.00
Other external					0.00	0.00	0.00	0.00
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>36.36</b>	<b>30.00</b>	<b>30.00</b>	<b>30.00</b>

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the gender diversity policy that they have put in place.

- Yes
- No
- Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of the policies, their objectives, the related measures and the manner in which they have been applied and the outcome of their implementation
<p>In light of the most recent regulations on diversity with regard to the selection criteria of directors, the Board of Directors of the Company, by proposal of the Appointments and Remuneration Committee, has agreed to update the Directors Selection Policy, with the approval of the latest Director Diversity and Selection Policy at a meeting held in 2018, which has replaced the previous version.</p> <p>On 17 December 2020, the Board of Directors, at the proposal of the Nomination and Remuneration Committee, agreed to modify the aforementioned Policy considering both the provisions of Technical Guide 1/2019 on Nomination and Remuneration Committees, and the latest developments introduced in the partial reform of the Code of Good Governance of Listed Companies, of June of the same year.</p> <p>The Director Diversity and Selection Policy of CAF (the "Policy"), which is specific and verifiable in nature, 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 from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.</p> <p>The Board of Directors and its Committees should have a balanced composition that enriches decision-making and contributes a diversity of points of view, with full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees.</p> <p>Accordingly, the criteria aimed at guaranteeing the diversity in the Board of Directors will serve in the necessity of the Board of Directors applicable to the selection of candidates to become directors. To do so, the Board's competencies matrix will be taken into account, which will be kept updated by the Nomination and Remuneration Committee.</p>

Specifically, diversity criteria may restrict the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Specifically, diversity criteria have been adopted with regard to the following

Categories:

Training and professional experience:

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.

In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

In relation to the composition of the committees, their members will be appointed from among the directors taking into account the most appropriate profiles for each Committee.

In particular, it will be ensured that the directors who form part of the Audit Committee have, as a whole, the requisite knowledge of accounting, auditing and risk management, both financial and non-financial, and of the business. Also, and whenever possible, it will be ensured that the members of the Nomination and Remuneration Committee are appointed taking into account their knowledge and experience in areas such as corporate governance, human resources, selection of directors and executives, and design of policies and remuneration plans, all this in accordance with the provisions of the Regulations of each Committee.

**C.1.6** Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of women in executive positions:

#### Explanation of measures

CAF's Appointments and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 4 of the current Company's Director Diversity and Selection Policy. Also, Article 3 of the Committee's Regulations establishes as one of its functions that of "Establishing a target level of representation of the gender with the lowest representation on the Board of Directors and issuing guidelines on how to achieve that target".

This objective has resulted in significant progress in recent years in terms of the presence of women on the Board of Directors, as explained in the previous sections.

In 2020 the Committee submitted to the Board of Directors the proposal for the re-election of an independent director, as well as the preliminary reports for the re-election of an executive director and for the appointment of a proprietary director.

As a result of the resolutions adopted by the Annual General Meeting of 13 June, the number of women on the Board of Directors increased to four. By doing so, the company has met the 30% target established in Recommendation 14 of the CBGSC until its review in June of this year, for the fourth year in a row.

As regards senior executives, the Company maintains a clear commitment to equality objectives that promote the creation of mechanisms that facilitate the access of all available talent to managerial positions, irrespective of their gender. In this regard, it should be noted that the Group's Legal and Compliance Department is led by a woman who is an executive director. Additionally, the Head of Internal Audit is a woman.

Also, the Company is promoting the inclusion of women in the management committees of the Group's business units, as well as in those of the subsidiaries CAF P&A, CAF SIGNALLING and CAF TE, with significant headway having been made in recent years.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
<p>CAF promotes equality in the selection and promotion processes, and is advancing in the implementation of measures that ensure a balanced representation of women and men at the various levels within the organisation. In fact, as explained in the previous sections, the Company has been making progress in recent years in relation to the incorporation of women both in the Board of Directors and in managerial positions within the organisation.</p> <p>As provided for in CAF's Code of Conduct, the Sustainability Policy and the Diversity and Director Selection Policy, the Company is committed to respecting diversity and the right to equal treatment between women and men.</p> <p>To this end, the Group, under the leadership of the Human Resources Department, actively promotes the absence of all discrimination, direct or indirect, especially on grounds of gender, as well as equal opportunities, through internal policies and strategies.</p> <p>In turn, the Collective Agreement of CAF, S.A. states its aim to encourage women's access to employment and supports the effective application of the principle of equality and absence of discrimination in working conditions between women and men.</p> <p>Also, the existence of an Equality Committee in the Company should be noted, which is responsible for the implementation and monitoring of equality plans and, in particular, of annually supervising the equality indicators in the personnel selection and promotion processes.</p> <p>In view of all of the above, the measures that have been implemented will foreseeably lead to a progressive increase in the number of women in executive positions at the Group in the coming years.</p>

**C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at favouring a suitable composition of the Board of Directors.**

<p>On 17 December 2020, the Appointments and Remuneration Committee issued its Annual Report on the compliance with the Director Diversity and Selection Policy.</p> <p>As indicated previously, in 2020 the shareholders at the Annual General Meeting approved the re-election of an independent director and an executive director and the nomination of two independent directors.</p> <p>In accordance with the drawn conclusions contained in its Report, the Appointments and Remuneration Committee of CAF deemed that the provisions of the Director Diversity and Selection Policy of CAF had been appropriately complied with for all cases. Specifically, it should be noted that all the appointments and re-elections agreed upon in 2020 were based on the analysis of the needs of the Board, in accordance with the matrix of competencies, in order to favour diversity, avoiding any implicit biases that could lead to discrimination based on reasons of age, gender, disability, or any other personal attribute.</p> <p>The consequence of these appointments and incorporations in previous years is a Board of Directors made up of eleven members, which is within the limit established in the bylaws, the Board Regulations and in Recommendation 13 of the CGG. Its composition is balanced and the training and experience of its members is diverse, being both highly qualified and with professional experience, bringing together various competencies that are relevant to the Company's future strategy. It also has a variety of ages and gender diversity, as well as a significant percentage of independent directors, in line with the best Corporate Governance practices.</p>
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**C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:**

Name or company name of shareholder	Reason
No data	

Detail any failure to address formal requests for Board representation from shareholders with ownership interests equal to or exceeding those of others at whose request proprietary directors were appointed. If so, explain the reasons why the request was not entertained:

- Yes  
 No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name of director	Brief description
MR ANDRÉS ARIZKORRETA GARCÍA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name of director	Name of group member	Position	Does the director have executive powers?
MR ANDRÉS ARIZKORRETA GARCÍA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INDIA PRIVATE LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NEW ZEALAND LIMITED	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF RAIL AUSTRALIA PTY LTD	Managing Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF CHILE S.A.	Chairman	NO
MR ANDRÉS ARIZKORRETA GARCÍA	CAF ARGELIA EURL	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NETHERLANDS B.V.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF INVESTMENT PROJECTS, S.A.U.	Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF DEUTSCHLAND GmbH	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF FRANCE SAS	Chairman	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF HUNGARY Korlátolt Felelősségű Társaság	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES
MR ANDRÉS ARIZKORRETA GARCÍA	CAF NORWAY AS	Sole Director	YES
MS MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇÃO, S.A.	Director	NO
MS MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name of director	Name of listed company	Position
MS CARMEN ALLO PÉREZ	eDreams ODIGEO	DIRECTOR

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

- Yes  
 No

**Explanation of the rules and identification of the regulating document**

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four Boards of Directors in listed companies other than the Company or its group.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Board remuneration in financial year (thousand euros)	1,716
Amount of vested pension interests for current members (thousand euros)	3,830
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name	Position
MR JOSU IMAZ MURGUIONDO	GENERAL CHIEF OF VEHICLES
MR IBON GARCÍA NEILL	DIRECTOR OF RAILWAY SERVICES
MR URTZI MONTALVO IBARGOYEN	DIRECTOR OF OTHER BUSINESS
MR AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL OFFICER AND STRATEGY
MR JESÚS MARÍA IBARBIA IRIONDO	DIRECTOR OF TECHNOLOGY
MR GORKA ZABALEGI AGINAGA	CHIEF HUMAN RESOURCES OFFICER
MS IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR
Number of women in executive positions	1

Women as a percentage of the total executive positions	14.28
Total remuneration for senior executives (in thousands of euros)	2,369

The total figure of the remuneration of senior executives includes the remuneration, in regard of the portion accrued during their tenure in office in 2020, of five senior executives who held that position at the beginning of the year, but who did not have that status at year-end.

**C.1.15 Indicate whether the Board regulations were amended during the year:**

- Yes  
 No

**Description of amendments**

On 17 December 2020, the Board of Directors unanimously approved the amendment of Articles 3, 5, 6, 8, 9, 10, 11, 13, 14, 16, 17, 18, 19, 21, 22, 23 and 34 of its Regulations, in order to adapt them to the Code of Good Governance for Listed Companies after the review thereof conducted by the CNMV in June 2020, and include certain technical improvements.

The amended Regulations were filed at the Guipúzcoa Mercantile Registry on 14 January 2021 and communicated to the CNMV on 20 January 2021. Also, they have been published since that date on CAF's corporate website (<https://www.caf.net/es/accionistas-inversores/gobierno-corporativo/reglamento-consejo-administracion.php>).

**C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.**

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. Disqualification according to legal grounds shall apply (Article 29 of the bylaws). Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the bylaws). Additionally, in exercising its powers to submit proposals at the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of the Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors, these last being at least one third of the total Board membership (Art.7 of the Board Regulations).

Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Appointments and Remunerations Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Appointments and Remuneration Committee. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance scheme. Likewise, Directors should also be offered refresher programmes when circumstances so advise (Article 15 of the Board Regulations).



**C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:**

**Description of amendments**

The Board of Directors, on the basis of previous reports issued by Committees, and by the independent external consultant, the results of which were positive, has positively evaluated the performance of the Board and its Committees in 2020 and has verified that all Action Plans scheduled for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for the 2021 fiscal year, however, they do not led to any significant changes to the internal organisation or in the procedures concerning its activities.

**Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.**

**Description of the evaluation process and evaluated areas**

In accordance with Article 5.5 of the Board Regulations, the Board of Directors must perform an annual assessment of its functioning and that of its Committees, and it must propose, on the basis of its findings, 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. Additionally, following the mandate contained in Recommendation 36 of the Code of Good Governance, which provides for the involvement of an external consultant in the process every three years, in 2020 the assistance of an external evaluator was required, whose independence was verified by the Nomination and Remuneration Committee.

In accordance with the rules established in the Spanish National Securities Market Commission (CNMV) Technical Guide 1/2019 on Nomination and Remuneration Committees published on 27 February, the following main areas were analysed in relation to 2020:

- a) Quality and efficiency of the functioning of the Board, including the degree to which the contributions of its members are exploited effectively.
- b) Size, composition and diversity of the Board and its Committees.
- c) The performance of the Chairman of the Board and the Chief Executive of the Company.
- d) The performance and contribution of each director, placing particular emphasis on the persons responsible for the various committees of the Board.
- e) Frequency and duration of the meetings.
- f) Contents of the agenda and adequacy of the time devoted to discussing the various topics according to their importance.
- g) Quality of received information.
- h) Breadth and openness of the debates.
- i) If the decision-making process is dominated or strongly influenced by one member or a small group of members.

From the methodological standpoint, the indicators taken into consideration included, among others, the degree to which the Board and the Committees comply with applicable regulatory requirements and guidelines in the area of corporate governance and the level of achievement of the plans and goals set for the year in question.

As a result of this process, the Board of Directors' assessment of its work and that of its members and Committees in 2020 was positive, in line with the favourable conclusions given in the preliminary reports prepared by the Committees, which the Board of Directors approved at the meeting held on 17 December 2020, together with the report of the independent external evaluator. Specifically, the Board verified that all the action plans established for the year analysed were completed satisfactorily. The improvement recommendations proposed by the external evaluator were also taken into consideration.

**C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.**

The external consultant, responsible for evaluating the Board and its Committees in 2020, has not had any relationship with the Company or with any other company in its group, other than the evaluation service provided.

In the independence declaration provided to the Company, the evaluator confirms that they have "no commercial relationship with CAF, or any of its directors, or executives and, therefore, their independence can be confirmed in the performance of the work commissioned".

**C.1.19** Indicate the cases in which directors are obliged to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, ceased to exist and, in particular, proprietary directors must resign when the shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Appointments and Remuneration Committee when not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

The directors must inform the Board and, where appropriate, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Article 18 of the Board Regulations).

**C.1.20** Are qualified majorities other than those established by law required for any particular kind of decision?

- Yes
- No

If so, describe the differences.

**C.1.21** Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

- Yes
- No

**C.1.22** Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

- Yes
- No

**C.1.23** Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

- Yes
- No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, provide a brief description of the rules.

Article 31 of the Company’s Bylaws and article 14 of the Board of Directors’ Regulations determine that Directors shall make every effort to attend Board sessions and, when they cannot do so personally, may confer their representation to another Director in writing to the Board Chair, without limiting the number of representations that each can bear for Board assistance. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

Additionally, these same rules require that non-executive Directors may only confer their representation on a non-executive Director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

<b>Number of board meetings</b>	10
<b>Number of board meetings held without the chairman's presence</b>	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	0
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Indicate how many meetings of the various Board committees were held during the year:

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in situ of at least 80% of directors	10
Attendance in person as a % of total votes during the year	99.04
Number of meetings attended in person, or by proxies granted with specific instructions, by all the directors	10
% of votes cast by attendees or proxies granted with specific instructions, as % of the total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes  
 No

]

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR ANDRÉS ARIZKORRETA GARCÍA	CEO
MR AITOR GALARZA RODRÍGUEZ	Chief Financial Officer and Strategy

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Board of Directors will submit to the General Meeting the financial statements prepared in accordance with accounting legislation. In the event that the auditor includes any qualification, the Chair of the Audit Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board (Article 34 of the Board Regulations).

To this end, the separate and consolidated financial statements are subject to prior review by the Company's Audit Committee, which is assigned, inter alia, the responsibility of supervising and evaluating 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 submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness (Article 3 of the Regulations of the Audit Committee). It is also the responsibility of the Audit Committee to regularly collect information from the auditors on the auditing process and in particular on any discrepancies that may arise between the auditors and the Entity's management. Upon completion of the audit, the Committee shall review with the external auditor the significant findings arising from its work, as well as the contents of its mandatory reports. (Article 13 of the Audit Committee Regulations).

Financial statements for the year ended 31 December 2019 as well as previous years were approved by the Board of Directors without qualifications.

#### C.1.29 Is the secretary of the Board also a director?

Yes  
 No

If the secretary is not a director, complete the following table:

#### C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of external auditors:

In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to bylaws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 a of the bylaws).

Pursuant to the foregoing, the Company's Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency (i) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. (ii) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on statutory audit, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) Issue, prior to the issuance of the audit report, an annual report stating its opinion on the auditors' or audit companies' independence is issued. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the foregoing section, reviewed individually and as a whole, apart from the various legal auditing and in relation to the regime of independence and governing regulations on audit activities. . Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence, as well as establish an indicative limit on the fees that the auditor may receive annually for services other than auditing (iv) Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV), accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind. Conduct a final evaluation about the auditor's work and how it contributed to the audit quality and to the integrity of the financial information. (Article 3 of the Audit Committee Bylaws and Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the Committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures, (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the entity's senior management; and (iii) the Audit Committee will regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the entity's senior management. When the audit has been finalised the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

- Yes  
 No

CAF's Board of Directors resolved to submit to the Company's Annual General Meeting held on 13 June 2020, the appointment of EY as the auditor of CAF and its consolidated group for 2021, 2022 and 2023, in accordance with the recommendation issued by the Company's Audit Committee as a result of the auditor selection process performed.

If there were any disagreements with the outgoing auditor, explain their content:

- Yes  
 No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

- Yes  
 No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	236	236
Amount invoiced for non-audit services/Amount for audit work (in %)	0.00	35.76	35.76

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

- Yes  
 No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	31	20

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (in %)	72.09	100.00

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

- Yes  
 No

#### Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. A schedule is approved containing eight sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is earlier. The call also includes the meeting's agenda, and the documents that must be previously and early enough reviewed by the Directors. In any case the Directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

- Yes  
 No

#### Explain the rules

As established in Article 18 of the Board Regulations, Directors must place their position at the Board's disposal in certain cases, and particularly when they are prosecuted for an alleged criminal offense or subject to breach determined by supervising authorities. In turn, Directors shall inform the Board and where appropriate, resign, when situations affecting them occur, that may or may not be related to the duties they discharge within the Company, that may harm the Company's name and reputation and, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial.

The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted.

All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of

the corresponding measures. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

- Yes  
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to consultative voting at the General Shareholders' Meeting.



## C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT COMMITTEE		
Name	Position	Category
MS CARMEN ALLO PÉREZ	CHAIRWOMAN	Independent
MR JAVIER MARTÍNEZ OJINAGA	MEMBER	Independent
MR JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Other external

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Due to Mr. Juan José Arrieta Sudupe having spent a continuous period of twelve years as a member of the Board of Directors, since first being appointed as an independent director on 7 June 2008, the Company announced, through the CNMV, the change of category of Mr Arrieta to that of "other external director".

Explain the functions delegated or assigned to this committee, other than those legally provided, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

### Organisation:

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent Directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. As a whole, the members of the Committee, and especially its Chair, shall have the knowledge and experience in accounting, auditing and financial and non-financial risk management, as well as the relevant technical knowledge in relation to the business sector to which the Company belongs.

The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors shall appoint its Secretary, who shall not necessarily hold the office of Director. (Article 2 of the Audit Committee Bylaws and Regulations).

### Functions:

Its main functions are: a) In relation to the General Meeting: i. Advising the General Shareholders' Meeting on any matter within the Committee's competence, namely on the audit's result, and explaining its contribution to the financial information's integrity and the function performed by the Committee within that process. ii. Ensure that the financial statements submitted to the shareholders at the Annual General Meeting are prepared in accordance with accounting legislation. In the event that the auditor includes any qualification in its report, the Chair of the Committee will clearly explain at the General Meeting the opinion of the Committee on its content and scope. Also, a summary of that opinion will be made available to shareholders at the time of publication of the call to the General Meeting, together with the other proposals and reports of the Board. b) In relation to the internal control systems: i. 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 submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its completeness. ii. Supervise the effectiveness of the Company's internal control and in particular of the system of Internal Control over Financial Reporting (ICFR). iii. 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. For the purposes of points i. to iii. above, the Committee can, where appropriate, present recommendations or proposals to the Board of Directors and its monitoring deadline. iv. Oversee the Company's internal control and risk management function. v. In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice. vi. Oversee compliance with the internal codes of conduct. vii. 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, to 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. This mechanism must guarantee confidentiality and, in all cases, envisage circumstances in which reports can be made anonymously, while respecting the rights of the complainant and the respondent. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	MS CARMEN ALLO PÉREZ / MR JAVIER MARTÍNEZ OJINAGA / MR JUAN JOSÉ ARRIETA SUDUPE
Date of appointment of the chairperson	08/10/2019

NOMINATION AND REMUNERATION COMMITTEE		
Name	Position	Category
MS ANE AGIRRE ROMARATE	CHAIRWOMAN	Independent
MR LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
MR JULIÁN GRACIA PALACÍN	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

**Organisation:**

In accordance with Article 37 ter of the Bylaws, Article 12 of the Board Regulations and Article 4 of the Committee Regulations, the Committee shall be composed of three non-executive Directors, two of which shall be independent. The members of the Committee are appointed ensuring that they have the knowledge, skills and experience appropriate to the functions they are called upon to discharge and, in particular, in areas such as corporate governance, human resources, selection of directors and managers, senior executive functions and design of remuneration policies and plans. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Board shall appoint its Secretary, who shall not necessarily hold the office of Director. Committee members will be appointed for a term of four years, and may be re-elected. They will cease to hold office as directors in accordance with a Board resolution, when they resign or for failing to comply with the Regulation requirements or the legal provisions. Renewal, re-election and removal shall correspond to the Board of Directors, as provided for in the law and the Company Bylaws. Also, Committee members who are re-elected as directors in accordance with a resolution of the Annual General Meeting will continue to discharge their functions on the Committee, without the need for new appointment, unless the Board of Directors resolves otherwise (Articles 5 and 6 of the Appointments and Remuneration Committee Regulations).

**Functions:**

Articles 37 ter of the Bylaws and 3 of the Appointments and Remuneration Committee has the following basic responsibilities: 1) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it will draw up a matrix with the responsibilities of the Board that defines the functions and skills required for candidates to cover each vacancy, periodically updated, and shall evaluate the time and dedication required to attain goals effectively. 2) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. 3) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, by submission for approval by the Annual General Meeting, as well as the proposals for such Directors' re-election or removal. 4) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. 5) Report the proposal for appointment of the Chairman of the Board of Directors, as well as of the Deputy Chairmen. 6) Inform the Board of Directors of the appointment or removal of the Secretary. 7) Raise to the Board of Directors the proposal for the appointment of an Independent Coordinating Director. 8) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. 9) Examine and organise the plan for the succession of the Board of Directors' chairman and the Company's Managing Director and, as applicable, make proposals to the Board of Directors for make

such succession to occur in an orderly and planned manner periodically preparing and reviewing a succession plan for such purpose. 10) Issue a report before the Board of Directors warns a director regarding non-fulfilment of his obligations as a director. 11) Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	1	33.33	1	33.33	0	0.00
NOMINATION AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: An up-to-date version of the Regulations is available on CAF's website ([www.caf.net](http://www.caf.net)), in the subsection on Corporate Governance, in the Shareholders and Investors section. The Audit Committee Regulations has been modified by a resolution of the Board of Directors, of 17 December 2020, with the principal objective of:

- i. Adapting its content to the Recommendations modified in the partial reform of the good governance code. In particular, adapting the description of the functions of the Committee to the wording of the new Recommendation 42 on the mandatory functions of Audit Committees. Among other developments, this Recommendation reinforces the specialisation of this Committee in relation to the supervision of information and control of financial and non-financial risks, and broadens the requirements in matters such as the reporting channel that the Company must make available to employees and other stakeholders, guaranteeing confidentiality, as well as allowing anonymous reports to be made in certain cases.
- ii. Incorporate into the Regulations certain provisions of Technical Guide 3/2017 of the CNMV on Audit Committees, (the "Technical Guide"), which the Company already complies with.
- iii. Incorporate certain technical improvements.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

APPOINTMENTS AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF web site ([www.caf.net](http://www.caf.net)), in the subsection of Corporate Governance, under section Information for Shareholders and Investors.

The Nomination and Remuneration Committee Regulations were amended on 17 December 2020 for the purpose of: (i) adapt it to the Recommendations amended in the aforementioned partial reform of the good governance code, especially: adjusting the distribution between the Committees of the functions regarding sustainability and corporate governance matters, to the new description thereof contained in Recommendation 54, with the appointments and remuneration Committee maintaining most of the responsibilities in this matter, with the exception of communications with shareholders and voting investors and other stakeholders, which is assigned to the Audit Committee, as well as the oversight of compliance with the internal codes of conduct, which the latter Committee would assume in line with the function's connection with risk control and, specifically, corruption risk control, and adapting to the new wording of Recommendation 22 the description of the advisory function that corresponds to the Committee in relation to situations in which the directors may find themselves that may affect the Company's good name and reputation. (ii) Incorporate into the Regulations certain provisions of the CNMV Technical Guide 1/2019 on Nomination and Remuneration Committees, with which the Company had already been complying, and (iii) incorporate other technical improvements, perfecting their wording.

Also in relation to this Committee, an annual report has been prepared on its activities in 2020, which will be published in accordance with Recommendation 6 of the CNMV's CBGSC.

## D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

The Board of Directors has been attributed, but without the capacity to delegate, the duty to approve, prior report from the Audit Committee, the transactions made by the Company or group companies with the Directors under the rules of the Capital Companies Law, or with shareholders holding a significant equity interest, either individually or jointly, including shareholders represented on the Board of Directors of the Company or other companies forming part of the same group or with their related persons. This approval shall not be applicable for any transaction meeting all of the three following conditions: 1.º they are governed by standard form agreements applied on an across-the board basis to a large number of clients, 2.º they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3º. they contain amounts not exceeding one percent of the Company's annual revenue. (Art. 5 of the Board Regulations).

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Partial assignment of the scope of the train supply agreement	6,605

The company Metro CAF Mauritius, Ltd. has been incorporated in Mauritius, exclusively for the performance of an agreement for the supply of trams in the country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

**D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.**

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

Note 10 of the consolidated Notes to the Financial Statements for fiscal year 2020 includes the details on balances and transactions with associated companies that have not been removed during the consolidation process.

**D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.**

Section 229 of the Capital Companies Law and Articles 24 and 25 of the Board of Directors' Regulations require directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. In turn, the Board of Directors' Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for Directors, as well as the consequences for breaching. In its Article 18, the Board of Directors' Regulations expressly states that Directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement.

**D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.**

Yes  
 No

## **E. RISK MANAGEMENT AND CONTROL SYSTEMS**

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**E.1 Explain the scope of the company's Risk Management and Control System, including tax risk.**

CAF Group's Comprehensive Risk Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates.

The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the corporate policies section at [www.caf.net](http://www.caf.net).

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group involve a variety of risks, with the Company defining the basic guidelines in order to standardize the operating criteria in each of the divisions to ensure an adequate internal control level.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their

valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

In order to respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and information of the various risks.
- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System implemented in the Group.

Likewise, the Corporate Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities, while maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

In 2020 emphasis was placed on adjusting and improving the management methodology and dynamics of the following risk categories: Environmental, Criminal and Competition. Within the scope of these three areas, the criteria for analysing risks and opportunities have been standardised in addition to the single framework of responsibilities for risks and their supervision among the various businesses of the Group.

In the case of Criminal Risk Management and Competition dynamics, we worked closely with the Corporate Compliance Department. In the case of Environmental Risk Management, we worked with the Environmental Forum, made up of the environmental managers of each business.

In addition, progress continued on the update of the Group's risk catalogue, and the methodology and management dynamics associated with each type of risk was improved.

Finally, it should be noted that through the General Risk Control and Management Policy, the Organization is committed to developing all its capabilities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled.

In this regard, the Audit Committee is in charge of ensuring, on an ongoing basis, compliance with the General Risk Control and Management Policy and that the implemented integrated system operates properly.

## E.2 Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.

As established in Article 5 of Board of Directors' Regulations on the General Supervision Area, regarding the functions and responsibilities of the Board of Directors, the development of the General Risk Control and Management Policy, including those on tax risks and the supervision of internal information and control systems, is one of the matters made exclusively available to all Board members.

In addition, as provided for in Article 3 of its Regulations, the Audit Committee is the body responsible for supervising and evaluating 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, as well as supervising the management of the internal control and the Company risks.

The Executive Committee is the company's highest executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and knowing the main elements of its evolution and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

- Ensure the good performance of the comprehensive risk management and control system and, particularly, that all material risks affecting the Company are properly identified, managed and quantified,
- Participate actively in the risk strategy preparation and in the important decisions regarding its management and
- Ensure that the comprehensive risk control and management system mitigates risks adequately in accordance with the policy framework set forth by the Board.

Moreover, CAF has several persons responsible for Regulatory compliance and, in particular a Corporate Fiscal Area, whose role includes: (i) apply the Fiscal Policy established and approved by the Board of Directors and (ii) ensure compliance with the principles of action regarding tax matters under the Fiscal Policy approved by the Board of Directors, in which are included, the prevention and mitigation, as far as possible, of the tax risks.

In addition, the task of CAF's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

### E.3 Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The most important risks facing the Group may be classified into the following categories:

**Strategic risks:** these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.

**Financial risks:** arising from market fluctuations (financial and commodities markets), contractual relations with third parties (customers, debtors) and counterparties related to investments in financial assets and financial liabilities (banks, investors). The subcategories of risks that are included are as follows:

**Market risk,** considering the following typologies:

**Interest rate risk:** risk to changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.

**Currency risk:** risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.

**Risk of raw material prices:** risk derived from changes in prices and market variables in relation to raw materials needed in the business supply chain.

**Credit risk:** it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparts to which the Group has effectively granted net credit and are pending liquidation or collection.

**Liquidity and financing risk:** in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to the asset, it is the risk of not being able at any given moment to obtain asset acquirers, for the sale at market price, or the lack of market price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the Financial Statements.

**Legal Risks:** come from the elaboration and execution of contracts and obligations of different nature (commercial, administrative, intellectual and industrial property, etc.) and possible contingencies arising from them. Also included risks related to judicial proceedings, administrative procedures and complaints.

**Operational risks:** inherent to all Group activities, products, systems and processes that lead to financial losses and damage in the Company image due to human/technological error, inadequate/defective internal processes or the intervention of external agents.

**Corporate Governance Risks:** arising from the potential noncompliance of the Group's Corporate Governance System, which regulates the design, integration and functioning of the Governing Bodies and their relationship with the Company's stakeholders and which is, in turn, based on commitment to ethical principles, good practices and transparency, built around protection of the Company's interests and the creation of sustainable value.

**Compliance and Regulatory Risks:** arising from the violation of national and international rules and laws that apply independently of the activity itself, which fall within the following large blocks: (i) Commercial and Competition (market abuse, corporate obligations and securities market, competition and unfair competition regulations), (ii) Criminal (prevention of crimes, including those arising from corruption), (iii) Labour, (iv) Tax and (v) Administrative (including, among others, the rules of protection of personal data, environmental laws, etc.).

As for the Statement of Non-Financial Information for the fiscal year ended in 2020, which was included in the Directors Report, the various types of aforementioned risks were assessed in detail. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

### E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The risk tolerance level established at the corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk.

The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

A prudent policy in tender submission, applying predetermined Risk-Profitability thresholds in the decision-making process.

An adequate risk management infrastructure in terms of governance and material and human resources availability.

Search for positioning in high growth segments, in geographies that are classified as strategic and in products for which previous capacities and experiences that allow generating value to the company are verified, maintaining in any case the desired profitability and cash generation levels.

The level of risk is defined as the product of probability and impact. Both the probability of occurrence and the impact are assessed based on a five-level scale, and uniform criteria are used to determine each level in each of the axes. The possible results of the combination of both are:

Very low and low level risks may be accepted and no Control or Action Plan may be necessary to manage them.

Medium-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or an Action Plan that mitigates the risk to a low level and, therefore, acceptable.

High and very high level risks will require adequate administration and management as well as preparing a formal Action Plan, which will be monitored according to its criticality by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks that could affect the Group. In general, although fundamentally applicable to Operational Business Risks, tolerance thresholds are defined which in case of being achieved, would make it necessary to establish new or existing Controls or Actions Plans. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

Regarding Financial and Strategic Risks, there is a tolerance level in terms of its economic impact at the corporate level and, in particular, a zero tolerance principle for those illegal acts or scam situations.

With regard to fiscal risks, the Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities.

## E.5 Indicate which risks, including tax risks, have materialised during the year.

During 2020 no material or extraordinary risks materialized, beyond those included in the Directors' Report and the Notes to the Financial Statements.

The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any material impacts on the Company's equity due to risk exposure.

Among the extraordinary risks, mention must be made of the emergence of COVID-19 at global level. In response, the CAF Group prepared a series of specific activities aimed at guaranteeing: i) the safety and health of all employees; ii) compliance with contracts with customers and other third parties; and iii) the Group's financial health. The specific nature of these activities and other details relating to COVID-19 at the CAF Group are included in the separate and consolidated financial statements for 2020 and the non-financial information statement for 2020.

The foreign currency risk to which the Company is exposed due to its operations in the international sphere is managed in accordance with the Market Risk Policy approved this year by the Board of Directors, which envisages various strategies aimed at reducing this risk such as the establishment of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other complementary measures.

Finally, to mention that mechanisms to anticipate and adequately manage the potential consequences of Brexit have been applied, both in contracts in the portfolio and in future tenders.

## E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans considered appropriate to remedy the situation of the project in execution or in a previous stage are evaluated in order to decide not to submit the corresponding tender.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.



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

The responsibilities granted by CAF for each Line are as follows:

The First Line rests on the business's own operating units which are responsible for day-to-day risk management as well as for maintaining internal control and implementing actions to address control deficiencies.

The Second Line complements the activities of the first one and is formed by the Risk Management Department, which carries out monitoring and reporting and is responsible for the risk levels assumed by the Group, independently controlling business lines.

The Third Line is the independent review of the first two lines and is performed by the Internal Audit Function. The evaluation and verification of the effectiveness of the Risk Control and Management Policies is carried out periodically by the second and third line. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

For the development of its functions, the Internal Audit and Risk Management departments have qualified and experienced personnel that is independent of the business lines. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

## **F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

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Describe the mechanisms forming your company's Internal risk management and Control systems relating to the process of publishing Financial Reporting (ICFR) of the company.

### **F.1 The entity's control environment**

Report on at least the following, describing their principal features:

**F.1.1.** The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

**F.1.2.** Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Chairman and Executive Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the Financial Information Internal Control System, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the web site, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with lawfulness, quality, reputation, protection of human resources, the respect for and commitment to the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying a policy and procedure system to prevent the commission of material crimes as much as possible. Such Crime Prevention Manual has been updated and revised by the Board of Directors on 18 December 2018. The Manual will foreseeably be reviewed again in 2021. When any new version or development of the Handbook is approved, the appropriate dissemination and training measures are adopted.

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 2020.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 93% of people have completed the programme. Since commencement of the programme, more than 5,600 people have been trained on this matter (2019: 4,762 people). More than 850 people received training in 2020. 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 kept up-to-date.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential.

In order to channel general complaints and those relating to financial and accounting aspects, a single complaint channel is established which is supervised by the Compliance Committee or Unit. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. In case the Compliance Committee or Unit understands that the complaint deserves more attention, it may send the documentation to the relevant department with the objective of jointly assessing the facts and determining the measures to be taken.

The Compliance Committee reports to the Board of Directors, the Audit Committee or General Management, depending on the circumstances and nature of the purported infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel. Likewise, it reports relevant financial irregularities to the Audit Committee. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

The Manual also establishes the possibility of other means of receiving complaints being enabled in those jurisdictions where so required under local legislation.

In 2020 the general whistleblowing channel was opened 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, at any time, possibly important irregularities, including financial or accounting irregularities, or those of any other type related to the company of which they become aware at any Group company.

The rules for the functioning of the 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) compliance, (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.

No formal complaints were filed through CAF's general whistleblowing channel in 2020, although two internal investigations were carried out as a result of which the pertinent measures were adopted. Two complaints were received via the whistleblowing channel in 2019, and one more was received via an alternative channel.

Additionally, for situations such as discrimination, harassment, mobbing or safety at work, specific channels are established for the communication and treatment of any improper conduct that may occur in those areas.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements and webinars presented by experts on the matter are attended.

Also, it is important to underline that, when the financial statements are being prepared, an annual review is conducted of the recommendations issued each year by regulatory bodies such as the ESMA and the CNMV, which focuses on regulatory developments and areas of special attention based on the current economic backdrop.

With regard to learning programmes for CAF S.A.'s economic and financial subjects, in order to support the different businesses in fiscal year 2020, the main reference indicators of this activity have been as follows:

- Number of participants in the training actions on this matter: 409
- Number of training hours received: 1,334 hours

Apart from wide training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

## F.2 Assessment of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

At the beginning of each year, supported by projected financial information, the main control objectives and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

At least on a quarterly basis, the Financial Department receives the Group's company organisation chart from the Corporate Development Department, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Financial Department.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process takes into account all risks identifiable insofar as they affect the financial statements.

- The governing body within the company that supervises the process.

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

### F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Financial Statements certification: The financial statements are certified by the Chairman and Managing Director and the Chief Financial Officer. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Billing and clients
- Inventories and Supplies (for every business unit)
- Investments

- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

### F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems.
- Promote the standardisation of the Systems
- Improve the satisfaction level of ICT systems
- Develop the ICT corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

- Information technology management
- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-Party Management

It is also worth noting the implementation since fiscal year 2017 of an Information Security Management System (ISMS) in accordance with ISO 27001, which was certified in the spring of 2018 and updated in 2020 in the area of the information systems managed by Corporate Digital Management that support CAF's corporate processes. As a result of the implementation, a Security Committee has been created and a Security Manager designated, and the suppliers and personnel affected are required to read the Security Policy and expressly accept certain Terms and Conditions and a Best Practices Manual.

### F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2020, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

#### F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, S.A.'s Economic and Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual.

The Manual is available on CAF's internal portal.

- F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR system

Every year a schedule is drawn up of the information required to prepare the financial information for the following fiscal year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Financial Department, through a web-based tool with consistent reporting formats which is used to gather the information supporting the consolidated financial statements, as well as the consolidated information in the financial statement notes and which is also used to roll up and consolidate the reported information.

CAF, S.A.'s Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

## F.5 Supervision of the functioning of the system

Report on at least the following, describing their principal features:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as to oversee the proper internal controls risk management systems, including ICFR. Likewise, the Committee reviews that the information published on the Company's web site is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's web site.

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

Under the scope of the external audit, the Audit Committee holds meetings with the external auditors with regard to more significant aspects concerning the review of the financial statements and the findings of the audit work (which include, where appropriate, material aspects detected in the internal control area).

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the ICFR design and operation.

Each year, the Manager of Internal Audit presents the internal audit activities to the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee its assessments, weaknesses detected, action plans to correct them and recommendations for improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2020 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification of the main risks on financial information.
- Analytical review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review of the design and adequate performance of the main control activities involving fiscal year closing processes, consolidation and reporting, as well as a review of the main judgments and estimates.
- Review of financial reporting processes and of the main subsidiaries, as at risk turnover plan. That review includes relevant financial information risks.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and improvement recommendations.

F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified. The Internal Audit manager attended six Audit Committee meetings in 2020, reporting on the evolution of the annual work plan and of the existing action plans to implement the internal control improvement recommendations.

The external auditor reports to the Audit Committee the main weakness of the internal control detected, if any, over the course of the audit, assessing the possible effects on the financial information.

In 2020, external auditors have twice appeared before the Audit Committee during this financial year, and have met with the Board in the plenary session held on 17 December 2020.

## F.6 Other relevant information

There is no other relevant information regarding the ICFR not included in this report.

## F.7 External auditor's report

Report:

- F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The external auditor's report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies [  ]      Explanation [  ]

- 2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]



3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies  Complies partially  Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies  Complies partially  Explanation

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies  Complies partially  Explanation

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies  Complies partially  Explanation

**7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.**

**And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.**

Complies       Complies partially       Explanation

That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Articles 22 bis of the bylaws and Article 9 bis of the General Meeting Regulations allow the delegation of the power to vote and the ability to vote telematically.

With respect to telematic attendance and active telematic participation at the General Meeting, although the Recommendation refers to large cap companies and where proportionate, the Company proposes to amend the General Meeting Regulations, at the next General Meeting, to explicitly incorporate the possibility of telematically attending and actively participating in the General Meeting. For such purpose, in accordance with the provisions of the Transitional Provision of Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (CNMV), in where the circular 5/2013 of the 12 June is modified, which establishes model annual corporate governance reports for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets, the Company's Board of Directors, at its meeting held on 17 December 2020, resolved to propose to the Annual General Meeting the related adaptation of the General Meeting Regulations. For its part, Article 22 bis of the existing bylaws already provides for this possibility, subject to the provisions of the General Meeting Regulations.

**8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.**

Complies       Complies partially       Explanation

**9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

**And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.**

Complies       Complies partially       Explanation

**10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:**

- a) Should immediately distribute such complementary points and new proposals for resolutions.**
- b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.**
- c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.**

**d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]

**11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.**

Complies [  ]      Complies partially [  ]      Explanation [  ]      Not applicable [  ]

**12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.**

**And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.**

Complies [  ]      Complies partially [  ]      Explanation [  ]

**13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.**

Complies [  ]      Explanation [  ]

**14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:**

**a) Is concrete and verifiable;**

**b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and**

**c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

**That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.**

**The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.**

Complies     Complies partially     Explanation

**15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

**And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.**

Complies     Complies partially     Explanation

**16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.**

**This criterion may be relaxed:**

- a) In large-cap companies where very few shareholdings are legally considered significant.**
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.**

c)    Complies     Explanation

**17. That the number of independent directors should represent at least half of the total number of directors.**

**That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.**

Complies     Explanation

**18. That companies should publish the following information on its directors on their website, and keep it up to date:**

- a) Professional profile and biography.**
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.**

e) **Company shares and share options that they own.**

Complies  ]    Complies partially  ]    Explanation  ]

**19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.**

Complies  ]    Complies partially  ]    Explanation  ]    Not applicable  ]

**20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.**

Complies  ]    Complies partially  ]    Explanation  ]    Not applicable  ]

**21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.**

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies  ]    Explanation  ]

**22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.**

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies       Complies partially       Explanation

- 23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies       Complies partially       Explanation       Not applicable

- 24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.**

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies       Complies partially       Explanation       Not applicable

- 25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.**

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies       Complies partially       Explanation

- 26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.**

Complies       Complies partially       Explanation

**27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]    Not applicable [   ]

**29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.**

Complies [ X ]    Explanation [   ]    Not applicable [   ]

**31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.**

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]    Not applicable [   ]

**35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.**

Complies [ X ]    Explanation [   ]

**36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.**

Complies [   ]    Complies partially [   ]    Explanation [   ]    Not applicable [ X ]

**38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.**

Complies [   ]    Complies partially [   ]    Explanation [   ]    Not applicable [ X ]



**39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]

**41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.**

Complies [ X ]    Complies partially [   ]    Explanation [   ]    Not applicable [   ]

**42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following functions:**

**1. With regard to information systems and internal control:**

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

**2. With regard to the external auditor:**

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ X ]      Complies partially [   ]      Explanation [   ]      Not applicable [   ]

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [ X ]      Complies partially [   ]      Explanation [   ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

- c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 48. That large-cap companies have separate nomination and remuneration committees.**

Complies [  ]    Explanation [  ]    Not applicable [  ]

- 49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

**And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:**

- a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**
- b) **Verifying compliance with the company's remuneration policy.**
- c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**
- d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**
- e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.**

Complies [  ]    Complies partially [  ]    Explanation [  ]

- 52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:**

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**

b) That their chairpersons be independent directors.

c) That the Board of Directors selects members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discusses their proposals and reports; and requires them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [ X ]    Complies partially [   ]    Explanation [   ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct

- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies  Complies partially  Explanation

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies  Explanation

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies  Complies partially  Explanation

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies  Complies partially  Explain  Not applicable

**59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.**

**That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.**

Complies  ] Complies partially  ] Explanation  ] Not applicable  ]

**60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.**

Complies  ] Complies partially  ] Explanation  ] Not applicable  ]

**61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.**

Complies  ] Complies partially  ] Explanation  ] Not applicable  ]

No variable remuneration was earned in 2020. In any case, the Company's Remuneration Policy, does not provide for the possibility of establishing a variable remuneration system that is linked to the delivery of shares or financial instruments referred to their value in 2020.

**62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

**An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.**

**The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.**

Complies  ] Complies partially  ] Explanation  ] Not applicable  ]

**63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies  ] Complies partially  ] Explanation  ] Not applicable  ]

**64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

**For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the**

**company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.**

Complies [ X ]      Complies partially [   ]      Explanation [   ]      Not applicable [   ]

## H. FURTHER INFORMATION OF INTEREST

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1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010:

In 2020 CAF, S.A. completed the formalities required to join the United Nations Global Compact, confirming its commitment to the ten principles of the Global Compact which stem from the United Nations' declarations on human rights, employment, the environment and the fight against corruption and enjoy a universal consensus.

A.3. As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSE ARRIETA SUPUDE 0.003% and 30,605,037H ANE AGIRRE ROMARATE % 0.002. TOTAL 0.005%.

### C.1.5

#### • Age:

The existence of directors of a variety of ages shall be valued, so that this difference may serve to contribute a variety of opinions and different approaches in debates regarding the issues that must be analysed and agreed upon by the Board of Directors.

#### • Disability:

Disability will not be used as a bias that could implicate discrimination in the selection of Directors.

#### • Gender:

In the process for selecting directors, gender diversity will be taken into account to ensure a balanced presence of men and women on the Board of Directors.

In this regard, the policy promotes the objective that the number of female directors should represent at all times the percentage of the total number of members of the Board of Directors established by the good governance recommendations or, where applicable, by law.

In 2020 the shareholders at the Annual General Meeting approved the appointment of two proprietary directors, as well as the re-election of a female independent director and of a female executive director, with the number of directors being eleven. In all cases, strict compliance with the 12 November 2018 version of CAF's Director Diversity and Selection Policy, which was in force at 2020 year-end, was observed, and the Nomination and Remuneration Committee stated this fact in its annual report on compliance with the policy in December 2020.

As a result of these aforementioned appointments, the diversity and balance of the composition of the Board of Directors has been enhanced from the standpoint, among others, of the profiles of its members, who contribute a wide range of skills and knowledge in areas of great value for the Company, and a significant level of independent directors was maintained (exceeding 45% of the total).

With respect to the promotion of gender diversity, it is noteworthy that since 2017 CAF has continuously complied with the target originally established for 2020 in Recommendation 14 of the Spanish Code of Good Governance for Listed Companies (CBGSC) whereby at least 30% of the members of the Board of Directors should be female.

Following the resolutions adopted by the Annual General Meeting held in 2020, the number of female directors increased to four, which means that women represent 36.36% of the total Board members, which is very close to the 40% level which Recommendation 14 has set as the target to be achieved in 2022.

#### C.1.16

With respect to the appointment of non-executive directors, the Board shall endeavour to ensure that candidates shall be selected from among persons recognised for their solvency, competence and experience, and extreme care shall be taken in respect of calls to fill independent director positions. Independent directors shall be directors appointed due to their personal and professional qualities who can discharge their functions without being influenced by relationships with the company or its group, their significant shareholders or senior executives.

Individuals may not in any case be considered to be independent directors if: a) they have been employees or executive directors of Group companies, unless either three or five years, respectively, have elapsed since the termination of such a relationship; b) they receive from the Company, or from the Group to which it belongs, any payment or benefit other than director remuneration, unless such an amount or benefit is insignificant. For the purposes of the provisions of this section, dividends or pension supplements received by the Board members for their previous professional or working relationships shall not be taken into consideration, provided that such supplements are unconditional and, consequently, the company paying them cannot suspend, modify or revoke their payment at its own discretion without there being a breach of obligations. c) in the last three years, they have been partners of the external auditor or responsible for the auditor's report prepared on the company or on any other Group company during that three-year period; d) they are executive directors or senior executives of another company where an executive director or senior executive of the company is a non-executive director; e) they have material business dealings with the company or any company of its Group or have had such dealings in the preceding year, either on their own account or as a significant shareholder, director or senior executive of a company that has or has had such dealings. Relationships with suppliers of goods or services, including financial services, and with advisors or consultants shall be considered to be business relationships. f) they are significant shareholders, executive directors or senior executives of an entity that receives or has received in the last three years significant donations from the company or its Group; This definition excludes those who are merely trustees of a foundation receiving donations. g) they are spouses or partners with an analogous affective relationship or relatives up to the second degree of kinship of one of the company's executive directors or senior executives. h) they have not been proposed for appointment or re-election by the Nomination Committee. i) they have held office as directors for a continuous period of more than twelve years. j) they are in any of the situations indicated in points a), e), f) or g) above in relation to a significant shareholder or entity represented on the Board. In the case of the family relations indicated in point g), the restriction shall apply not only in connection with the shareholder but also with the proprietary directors of the investee.

Proprietary directors are considered to be those who have a shareholding equal to or exceeding the level considered by law to be significant, or were appointed on the basis of their shareholder status, even though their shareholding does not reach the stipulated amount, and those who represent shareholders of the aforementioned parties.

Proprietary directors who lose their status due to the disposal of shares by the shareholder they represent may only be re-elected as independent directors once the shareholder they represented has sold all the remaining shares in the company. Any director who has a shareholding in the company may hold the position of independent director, provided they satisfy all the conditions established in the aforementioned article and, in addition, their ownership interest is not material (Art. 16 of the Board of Director Regulations).

The directors shall hold office for a term of four years. Directors may be re-elected for office one or more times for periods of equal duration. The appointments of the directors shall be effective as soon as they are accepted (Article 29 of the Company Bylaws). Renewal of the Board of Directors shall take place on the expiry of each director's tenure (Article 30 of the Company Bylaws).

The Nomination and Remuneration Committee holds certain powers in relation to the appointment, evaluation and removal of directors, which are detailed in its regulations. The most noteworthy powers are as follows: The basic responsibilities of the Nomination and Remuneration Committee should be to: 1.- Evaluate the skills, knowledge and experience required of the Board of Directors. For this purpose, it will draw up a matrix with the powers of the Board that defines the functions, knowledge and skills required for candidates to cover each vacancy, periodically updated and shall evaluate the time and dedication required to perform their duties effectively. 2.- Set a representation goal for the gender with less representation on the Board of Directors and prepare recommendations on how to achieve that goal. 3.- Submit to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the Annual General Meeting's consideration, as well as the proposals made by the General Meeting for such directors' re-election or removal. 4.- Report the proposals for appointment of the other directors by co-option or submission to the decision of the Annual General Meeting, and propose the re-election or removal of these directors by the Annual General Meeting. 5.- Report the proposed appointment of the Chair of the Board of Directors and of the Secretary, and of the Deputy Chairs, where applicable. 6.- Inform the Board of Directors of the appointment or removal of the Secretary. 7.- Submit to the Board of Directors the proposal for the appointment of a Coordinating Independent Director. 8.- Report the proposals for the appointment and removal of senior executives and propose the basic terms and conditions of their contracts. 9.- Examine and organise the succession of the Chair and the chief executive of the Company and, if applicable, submit proposals to the Board of Directors in order to ensure a smooth and well-planned handover, periodically preparing and reviewing a succession plan for such purpose. 10.- Issue a report prior to the Board reprimanding a director for the infringement of their obligations as a director. 11.- Inform the Board of Directors about the measures to be adopted when the directors find themselves in situations affecting them, that may or may not be related to the duties they discharge within the company, that could harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as investigated parties. 12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists, and 18.- Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. (Art. 3 of the Nomination and Remuneration Committee Regulations).

In relation to the removal of directors, the Board Regulations also provide for certain special rules: The removal of the directors shall take place as defined in the terms of the legislation applicable at any given time. Directors must tender their resignation to the Board of Directors and, if the latter considers it appropriate, formally resign in the following cases: a) When the specific circumstances for which they were appointed, as the case may be, cease to exist and, specifically, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce their stakes to a level that requires a reduction in the number of proprietary directors; b) if they are subject to any of the grounds for conflict of interest or prohibition provided for in law; c) if they are tried for an alleged criminal act or are subject to a disciplinary proceeding conducted by supervisory authorities for a serious or very serious infringement; d) if they are seriously



reprimanded by the Board of Directors following a report from the Nomination and Remuneration Committee for having breached their obligations as Directors; e) if they find themselves in a conflict of interest situation and fail to comply with their reporting and abstention duties; and f) if they breach the non-compete obligation. The directors shall inform the Board and, where applicable, resign, when situations affecting them arise, that may or may not be related to the duties they discharge within the Company, that may harm its good name and reputation and, in particular, in the event of any criminal case in which they appear as the investigated party, and the progress of any trial. The Board of Directors, having been informed or having otherwise become apprised of any of the situations mentioned in the previous paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, following a report from the Nomination and Remuneration Committee, the measures to be adopted. All of this will be disclosed in the Annual Corporate Governance Report, unless there are special justifying circumstances, which must be recorded in the minutes. The foregoing is without prejudice to the information that the Company must release, if required, at the time of the adoption of the corresponding measures. The Board of Directors shall not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the Board of Directors, based on a proposal from the Nomination and Remuneration Committee. When a director resigns from their position before their tenure expires, they must sufficiently explain their reasons or, in the case of non-executive directors, their opinion on the reasons for removal by the Annual General Meeting, in a letter sent to all members of the Board of Directors. (Art. 18 of the Board Regulations).

Also, the Director Diversity and Selection Policy, amended by the Board of Directors of CAF at the meeting held on 17 December 2020, reiterates the functions pertaining to the Nomination and Remuneration Committee in the director selection process, as well as the terms of its participation in that process, as described above, and the conditions candidates must fulfil, placing special emphasis on the fundamental objective to promote diversity in terms of knowledge, experience, age and gender among Board members, applying criteria that ensure the existence of sufficient diversity in the composition of the Board and a lack of implicit bias that could amount to discrimination on grounds of age, gender, disability or any other personal characteristic, in line with Recommendation 14 of the Spanish Good Governance Code of Listed Companies and Articles 529 bis and 529 quidecies of the Spanish Limited Liability Companies Law.

#### C.2.1.

##### AUDIT COMMITTEE

viii. Supervise application of the general policy relating to communication of economic and financial, non-financial and corporate information, and to communication with shareholders and investors, voting advisers and other stakeholders. Also, the way in which the Company communicates and interacts with small and medium shareholders will be monitored. ix. Carry out reviews to ensure that the financial information published on the Company's corporate website is constantly updated and corresponds to the information approved or prepared by the Board of Directors and published on the Spanish National Securities Market Commission (CNMV) website. If, following the review, the Committee is not satisfied in relation to any issue, it shall notify the Board of its opinion. c) In relation to the internal audit: i. Supervise the Company's internal audit. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. ii. Ensure the independence of the unit that discharges the internal audit function, which shall report to the chair of the Committee or the non-executive chair of the Board. iii. Propose the selection, appointment and removal of the head of the internal audit service; iv. Propose the Internal Audit Department's budget. v. Approve the work plans and methods of Internal Audit, ensuring that its activity focuses primarily on significant risks (including reputational risks). vi. Receive regular information on the execution of the annual plan and other activities carried out, including possible incidents and scope limitations arising in the course of the work, the outcome and follow-up of its recommendations, and an activities report at the end of each reporting period. vii. Verify that senior executives take into account the conclusions and recommendations of its reports. viii. Assess the functioning of Internal Audit and the performance of the head of the unit. d) In relation to the external auditor: i. Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process within the meaning of Articles 16.2, 16.3, 16.5 and 17.5 of Regulation (EU) No 537/2014, of 16 April, and the terms and conditions of the engagement. ii. Obtain information regularly on the audit plan and the execution thereof. iii. Discuss with the auditor the significant weaknesses in the internal control system disclosed in the performance of the audit, all of which should be performed without compromising its independence. For these purposes, the Committee can, where appropriate, submit recommendations or proposals to the Board of Directors with deadlines for the follow-up thereof. iv. Preserve its independence when exercising its functions, in particular for that purpose: Establish the pertinent relationships with the external auditors in order to receive information on any matters that might threaten their independence, for analysis by the Committee, and any other matters related to the financial audit process and, where appropriate, authorisation for services other than prohibited services, pursuant to Articles 5.4 and 6.2.b) of Regulation (EU) No 537/2014, of 16 April, and to Section 3 of Chapter IV of Title I of Spanish Audit Law 22/2015, of 20 July, on the independence regime, as well as any other communications provided for in audit legislation and standards. In any event, each year the external auditors will be required to furnish a statement of their independence with respect to the entity or entities related directly or indirectly to the Company, as well as detailed information on each of the additional services of any kind rendered and the related fees received from these entities by the external auditor or by any persons or entities related thereto, in accordance with Spanish audit legislation. Issue annually, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. This report must contain a reasoned evaluation of each and every one of the aforementioned additional services rendered, as referred to in the foregoing point, taken on an individual basis and as a whole, other than statutory audit services and on the independence regime or on the audit regulations. Ensure that the remuneration of the external auditor for their work does not compromise its quality or independence and establish an indicative limit on the fees that the auditor may receive annually for services other than auditing. v. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session to inform it of the work performed and changes in the company's accounting situation and risks; and vi. Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence. vii. Investigate the circumstances giving rise to the resignation of any external auditor. viii. Supervise that the company reports any change of auditors through the CNMV, with an accompanying statement of any disagreements arising with the outgoing auditors and the reasons behind them. ix. Carry out a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the completeness of the financial information. The provisions of the foregoing sections iv. to viii. shall be deemed to be without prejudice to the applicable audit regulations. e) Other functions: i. Inform the Board of Directors in advance of all matters contemplated in the law, the Company Bylaws and the Board Regulations, and in particular on: the financial information that the company must periodically make public; the creation or acquisition of ownership interests in special purpose vehicles or entities domiciled in countries or territories considered to be tax havens; and transactions with related parties. ii. Issue a report on any transactions that the Company or Group companies may perform with directors, under the terms of the Spanish Limited Liability Companies Law, or with shareholders, individually or together with others, with a significant ownership interest, including the shareholders

represented on the Board of Directors of the Company or other companies that form part of the same group or with persons related to them. It will not be necessary to issue the above report on any transactions that have all the following characteristics: they are performed under agreements with standardised terms and conditions and applied en masse to a large number of customers; they are executed at general prices or rates established by the supplier of the goods or services concerned; and their amount does not exceed 1% of the Company's annual revenue. ii. Be informed of the structural and corporate changes expected to be made by the Company for analysis and reporting, prior to the Board of Directors meeting, on their economic conditions and the accounting impact of the transactions and, especially, as appropriate, on the proposed exchange ratio. iii. Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. iv. Approve an annual work plan that envisages, among other matters, the annual timetable of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. v. Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, with an annual assessment report on its performance. vi. Issue an annual assessment report on the functioning and activities of the Committee in the previous year. vii. Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors. (Article 3 of the Audit Committee Regulations).

Similarly, the Audit Committee holds the following powers: 1.- In order to perform its functions the Audit Committee shall have full powers to access any kind of information, documentation or records it considers necessary for such purpose. 2.- The Audit Committee may request the Board of Directors to engage external advisory services in matters of particular significance when it considers that the company's own experts or technical specialists, or those of group companies, are unable to provide these services adequately or with the necessary independence. 3.- In addition, the Audit Committee may request at any time the personal involvement or reports of any member of the company's and/or Group companies' management teams whenever it deems that they are necessary or advisable for the performance of the Committee's functions, as well as their attendance, following invitation by the Chair of the Committee, at the meetings, only to discuss the specific points on the agenda in relation to which they were invited. Also, it should be ensured that this presence does not become common practice so that such attendance only occurs when necessary (Art. 10 of the Audit Committee Regulations).

#### Functioning:

The Audit Committee shall meet whenever the Chairman deems it appropriate so that it may perform its functions. As a minimum, the Committee shall meet when the annual or interim financial information is published and, in these cases, the meeting shall be attended by the internal auditor and, if a review report is published, it shall be attended by the financial auditors with respect to those matters on the agenda in relation to which they were invited. At least a part of these meetings with the internal auditor or financial auditor must take place without the presence of company management, so that the specific matters that arose in the reviews performed may be discussed with them exclusively. The Committee shall also meet when requested to do so by the Board of Directors (Art. 5 of the Audit Committee Regulations). The call notice shall be issued, at least five days in advance, by the Committee Secretary, in accordance with the Chair's instructions, to each of the members by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. Without prejudice to the foregoing, the Audit Committee may also deliberate on and adopt resolutions regarding other matters not included on the agenda. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of distance communication, providing that the identity and participation of the attendees can be guaranteed in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting. In any case, the Chair of the Committee, through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question (Art. 6 of the Audit Committee Regulations). Committee meetings shall be held at the place indicated in the call notice except in the case of meetings held by conference call, video call or any other means of remote communication (Art. 7 of the Audit Committee Regulations). The Audit Committee shall be validly convened where more than half of its members attend, either in person or by proxy. Power of representation may only be granted to another director who is a member of the Committee. The positions of Chair and Secretary of the Committee shall be held by those appointed to these positions. In the event of incapacity or absence, the Chair shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. Committee meetings may also be held without prior notice if all the members of the Committee are in attendance, in person or by proxy, and agree unanimously to hold the meeting (Art. 8 of the Audit Committee Regulations). The Audit Committee shall adopt the resolutions by absolute majority of the directors attending the meeting in person or by proxy. The Secretary shall issue minutes of each meeting which, following approval thereof either at the end of the meeting or in the following meeting, shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be available to all of the members of the Board of Directors (Art. 9 of the Audit Committee Regulations).

The main activities performed by the Committee in 2020 may be grouped into the following areas:

#### i. Financial and non-financial reporting and internal control mechanism activities:

- Examination, prior to their submission for authorisation for issue by the Board of Directors, of the separate and consolidated financial statements and the directors' reports of CAF, S.A. and the CAF Group, respectively, for the 2019 reporting period; The Directors' Report includes the Non-Financial Information Statement that contains the information on non-financial indicators relating to environmental activity, social matters, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery.
- Examination, prior to their submission for approval by the Board of Directors, of the quarterly and half-yearly separate and consolidated financial statements;
- Review of the remaining information to be furnished to the markets and to supervisory bodies during the year.

#### ii. Related-party transaction activities.

Review of the related-party transactions performed by the Company and those scheduled for the following year, verifying whether they should be submitted for approval by the Board.

#### iii. Activities relating to the sustainability policy and the terms of execution thereof in the year

The sustainability activities are attributed by the Board to the Nomination and Remuneration Committee, without prejudice to the verification by the Audit Committee of the information in this connection disclosed in the directors' report that accompanies the separate and consolidated financial statements of CAF, S.A. and the CAF Group, respectively.

#### iv. Risk management and control activities

- Ongoing evaluation of the ICFR system and analysis of the recommendations, and plans for improvement thereof, proposed by Internal Audit.

- Supervision of the Risk Management Unit. Participation of its head in the Committee meetings, to report on the main risks and contingencies affecting the Company and its Group. In this connection:

- Monitoring of the Unit's Activities Plan.

- Periodic supervision of the assurance map.

- Supervision of the risk management models implemented by the Company in relation to the various Businesses and Projects.

- The evaluation of all the company's non-financial risks -including operational, technological, legal, corporate, environmental, political and reputational risk.

v. Internal audit-related activities:

The Audit Committee analysed and oversaw, on a direct and ongoing basis, the actions taken by the company's internal audit area. In

addition to the activities in the preceding paragraph, the Audit Committee performed the following actions:

- Review of the Annual Report on Internal Audit Activities for 2019.

- Approval of the Internal Audit Work Plan for 2020 including.

- Review of the published information (quarterly financial statements, statutory financial statements, and directors' report);

- Quarterly monitoring of the main financial and tax risks.

- Audit work rotation plan based on the criticality of the work;

- Monitoring of recommendations.

- Monitoring of the execution of the Internal Audit Work Plan over the year.

- Evaluation of the functioning of Internal Audit and the performance of the head thereof.

vi. External auditor-related activities:

- Analysis of the external auditor's reports on the Company's separate and consolidated financial statements for 2019.

- Analysis of the limited review report on the half-yearly financial statements for 2020.

- Request for written confirmation of independence issued by the auditor and preparation of the Report on the Auditor's Independence, in relation to the audit of the 2019 financial statements.

- Establishment of limits and criteria for the non-audit services and approval of the budget for non-audit services for 2021.

- Analysis, together with the external auditor of the main incidents detected during the audit, verifying that they were remedied, and the risks detected were addressed.

- Evaluation of the external auditor's conduct.

- Joint monitoring of the transition plan between the current auditor, Deloitte, and EY, the auditor appointed for 2021, 2022 and 2023.

vii. Activities regarding financing:

- Analysis of a commercial paper issue programme on the Spanish Alternative Fixed-Income Market (MARF), to replace the ECP Programme registered in Ireland, from its expiry in December 2020, and proposal for approval by the Board of Directors.

viii. Audit Committee action plan monitoring activities:

During the current year, the Audit Committee monitored, on an ongoing basis, the action plans for 2020 proposed in the report on the annual assessment of its performance, approved at its meeting held on 17 December 2019, and stated that they had all been complied with.

ix. Other activities

- Analysis of potential strategic corporate transactions envisaged by the Company, for their approval by the Board of Directors.

- Approval of the report on the functioning of the Audit Committee for 2019.

- Supervision of the activities of the Company's internal Tax Department, in charge of the control and management of the Group's tax risks, with regular reporting on the situation of the various phases of the work in that area, monitoring of compliance with the Tax Policy and of any new developments in tax matters relevant to the Company.

- Supervision of the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders.
- Proposal to amend the Policy on communication and contact with shareholders, institutional investors and voting advisers.
- Proposal to amend the Audit Committee Regulations.
- Approval of an annual audit plan for 2021 including the annual schedule for Committee meetings with the external auditors.
- Preparation of the Report on the Annual Performance Assessment in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies.
- Supervision of the exposure to foreign currency risk.

#### NOMINATION AND REMUNERATION COMMITTEE

12.- Report, with prior notice, proposals to remove independent directors made by the Board of Directors before the statutory deadline has elapsed, so that the latter can assess whether just cause exists. 13.- Make proposals to the Board of Directors regarding the remuneration policy for directors and general managers or those who discharge senior executive functions reporting directly to the Board, executive committees or chief executives, and regarding individual remuneration and the other contractual conditions of the executive directors, ensuring compliance therewith. 14.- Review the remuneration policy applied to directors and senior executives on a regular basis, including share-based remuneration systems and their application, and ensure their individual remuneration is proportionate to what is paid to the other directors and senior executives of the Company. 15.- Ensure that possible conflicts of interest do not infringe upon the independence of the external advisory services provided to the Committee. 16.- Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents including the annual report on the remuneration of the directors. In relation to the Corporate Governance and Sustainability System: 17.- Supervise compliance with the Company's corporate governance rules, also ensuring that the corporate culture is in line with the Company's purpose and values. 18.-Verify, on an annual basis, compliance with the Director Diversity and Selection Policy, reporting on this in the Annual Corporate Governance Report. 19.- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy, so that they fulfil the mission to promote the corporate interest, and they should take into account, as applicable, the legitimate interests of the other stakeholders. 20.- Oversee that the Company's environmental and corporate practices are in line with the established strategy and policy; and 21.- Supervise and evaluate the processes for interacting with the various stakeholders. In relation to other matters: 22.- Propose the amendment of the Board Regulations to the Board of Directors, when the Committee deems this necessary, accompanying its proposal with the corresponding supporting material. 23.- Provide the Board of Directors, in the framework of the annual assessment of the Board of Directors and its committees, an annual assessment report on the functioning and activities of the Committee in the previous year and an annual assessment report on the performance of the Board of Directors. 24.- Issue, on a yearly basis, a report on the functioning and activities of the Committee in the preceding year. 25.- Review whether the information on the experience and professional careers of the Company's directors included on the corporate website is sufficient and appropriate and follows the recommendations of the Spanish Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission (CNMV). 26.- Approve an annual work plan that includes, inter alia, the annual schedule of Committee meetings, in order to efficiently facilitate compliance with the objectives pursued. 27.- Any other function attributed to it by law, the Company Bylaws, Board of Directors Regulations or the Board of Directors.

#### Functioning:

The rules on the functioning of this committee are provided for in Article 12 of the Board of Directors Regulations and in Chapter V of the Nomination and Remuneration Committee Regulations, and can be summarised as follows:

The Nomination and Remuneration Committee meets on a periodic basis depending on need and, at least, three times a year. In particular, it shall meet when required by the Board of Directors. In addition, the Chairman of the Board of Directors or the Chief Executive Officer may request the Committee to hold informative meetings on an extraordinary basis.

The call notices shall be communicated to each of the members by the Secretary of the Committee, according to the Chair's instructions, with at least five days' notice, by letter, fax, telegram or email, unless the meeting is called on an exceptional basis due to an emergency by the Chair. The call notice shall include the meeting's agenda items. The Chair of the Committee, by itself or through the Secretary, shall channel and provide the necessary information and documentation to the other members of the Committee sufficiently in advance so that they are able to analyse it prior to the meeting in question. Exceptionally, when circumstances so require, Committee meetings may be held by conference call, video call or any other means of remote communication provided that it guarantees the identities and participation of the attendants in real time. In this case, the meeting shall be understood to have been held at the registered office. Also, the Chair of the Committee may authorise the attendance of one or more directors at the meeting through remote connection systems that duly guarantee the identity and participation of the directors, who for all purposes will be deemed to be attendees at the Committee meeting.

The Committee shall be deemed to be convened when more than half of its members attend and adopt its resolutions by absolute majority, either in person or by proxy. Representation may only be granted to another director who is a member of the Committee. The positions of Chairman and Secretary of the Board shall be held by those appointed to these positions. In the event of incapacity or absence, the Chairman shall be substituted by the longest-serving Committee member and, in the event that various members have served for the same length of time, by the oldest Committee member. In the event of incapacity or absence, the Secretary shall be substituted by the youngest Committee member. In addition, committee meetings may also be held without prior notice if all the members of the Committee are in attendance and agree unanimously to hold the meeting. The resolutions adopted shall be recorded by the Secretary in the related minutes, which shall be approved by the same meeting or at the immediately following meeting, and shall be signed by the Chair and the Secretary. The minutes of the Committee meetings shall be made available to all the Board members.

The main activities performed by the Committee in 2020 may be grouped into the following areas:

#### a. Appointment activities.

- Presentation to the Board for submission to the General Meeting of the proposal for the re-election of a female independent director, as well as the preliminary reports for the re-election of a female executive director and for the appointment of two proprietary directors. The aforementioned documents were made available to the shareholders on the corporate website when the call notice of the General

Meeting was issued.

- Presentation to the Board of the proposed changes in the composition of the Committee, consisting of the appointment of Ms Ane Agirre Romarate as Chair and Mr Julián Gracia Palacín as a new member of the Committee, and the proposed appointment of Mr Javier Martínez Ojinaga as new Coordinating Director.
- Review of the matrix of the Board's competencies in order to update its content, in view of the latest changes in the composition of the Board.
- Presentation to the Board of the proposed modification of the Director Diversity and Selection Policy, in order to adapt it to the modifications introduced in the Code of Good Governance in June 2020 and introduction of other technical improvements.

b. Remuneration activities:

- Submission of the proposed Directors' Remuneration Report for 2019 to the Board of Directors.
- Proposal to the Board of Directors regarding remuneration for the Executive Committee and for the Directors, applicable to 2020, and presentation of a new proposal due to the circumstances that transpired a result of the COVID-19 pandemic.
- Presentation to the Board of Directors of the proposed new Director Remuneration Policy, applicable to 2021, 2022 and 2023, for its submission for approval by the shareholders at the Annual General Meeting.

c. Corporate Governance and Sustainability activities:

- Review of the Corporate Social Responsibility Report for 2019, for its approval by the Board of Directors.
- Review of the Modern Slavery Declaration (UK) relating to 2019, for its approval by the Board of Directors.
- Supervision of the process for reporting the non-financial information and information on diversity contained in the Non-Financial Information Statement for 2019.
- Supervision of the Company's environmental and social practices to verify that they are in line with the established strategy and policy, with attendance of the head of Company's Corporate Social Responsibility Forum at the Committee meeting.
- Presentation to the Board of Directors of the proposed new Sustainability Policy, to replace the 2015 Corporate Social Responsibility Policy.
- Supervision and evaluation of the corporate governance system in the context of the functions attributed to the Committee in sections 17 and 19 of Article 3 of its Regulations.

d. Other activities

- Proposal to the Board of Directors to amend the Nomination and Remuneration Committee Regulations, in order to include the developments arising from the review of the Code of Good Governance and other technical improvements.
  - Approval of the Report on the Functioning of the Nomination and Remuneration Committee relating to 2019.
  - Proposal of the appointment of the external valuer for 2020, following verification of the valuer's independence.
  - Preparation of the Report on the Annual Performance Assessment, in the context of the assessment of the Board of Directors, pursuant to Recommendation 36 of the Spanish Code of Good Governance for Listed Companies, with the scope detailed in the following section 7.
  - Analysis of the situation concerning insurance policies in force covering directors and senior executives, and of the annual renewal plan for those policies.
  - Annual assessment of compliance with the Diversity and Director Selection Policy.
- Approval of the Activities Plan for 2021.

e. Nomination and Remuneration Committee action plan monitoring activities.

Throughout 2020, the Committee monitored the action plans for that year, proposed in the annual self-assessment report, approved by the Committee at its meeting on 17 December 2019, verifying that they were complied with satisfactorily.

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This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 25/02/2021

Indicate whether any director voted against or abstained from approving this report.

[ ] Yes  
[ ✓ ] No

**Construcciones y Auxiliar  
de Ferrocarriles, S.A. and  
Subsidiaries composing  
the CAF Group  
(Consolidated)**

Auditor's Report on the Information  
relating to the system of internal control  
over financial reporting (ICFR) for the year  
ended 31 December 2020

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE CAF GROUP") FOR THE YEAR ENDED 31 DECEMBER 2020**

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.:

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 13 November 2020, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2020, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "*Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2020 described in the Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report, as established in Circular no. 5/2013 of the National Securities Market Commission dated June 12, 2013, and subsequent modifications, being the most recent the Circular 1/2020 of the National Securities Market Commission dated October 6 ("the Circulars of the NSMC").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and "the Circulars of the NSMC", for the purposes of the description of the ICFR system in annual corporate governance reports.

DELOITTE, S.L.



Pablo Mugica

25 February 2021



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

**Construcciones y Auxiliar de Ferrocarriles, S.A.  
and Subsidiaries composing the CAF Group**

**Consolidated Balance Sheets as at 31 December 2020 and 2019 (Notes 1, 2 and 3)  
(Thousands of Euros)**

Assets	Note	12/31/20	31/12/19 (*)	Equity and liabilities	Note	31/12/19	31/12/18 (*)
<b>Non-current assets:</b>				<b>Equity:</b>	<b>14</b>		
<b>Intangible assets-</b>	<b>7</b>			<b>Shareholders' equity-</b>			
Goodwill		103,339	109,011	Registered share capital		10,319	10,319
Other intangible assets		220,654	239,241	Share premium		11,863	11,863
		<b>323,993</b>	<b>348,252</b>	Revaluation reserve		39,119	39,119
<b>Property, plant and equipment</b>	<b>6 &amp; 8</b>	<b>403,617</b>	<b>449,263</b>	Other accumulated reserves and profit for the year attributable to the Parent		796,774	817,680
<b>Investments accounted for using the equity method</b>	<b>9</b>	<b>7,370</b>	<b>7,807</b>			<b>858,075</b>	<b>878,981</b>
<b>Non-current financial assets</b>	<b>9</b>	<b>429,068</b>	<b>538,303</b>				
<b>Non-current hedging derivatives</b>	<b>17</b>	<b>41,736</b>	<b>45,001</b>				
<b>Deferred tax assets</b>	<b>18</b>	<b>147,148</b>	<b>146,134</b>				
<b>Other non-current assets</b>	<b>21</b>	<b>6,592</b>	<b>7,208</b>				
<b>Total non-current assets</b>		<b>1,359,524</b>	<b>1,541,968</b>	<b>Valuation adjustments-</b>			
				Hedges		(13,575)	(11,062)
				Translation differences		(211,531)	(134,682)
						<b>(225,106)</b>	<b>(145,744)</b>
				<b>Equity attributable to the Parent</b>		<b>632,969</b>	<b>733,237</b>
				<b>Non-controlling interests</b>		<b>11,234</b>	<b>12,130</b>
				<b>Total equity</b>		<b>644,203</b>	<b>745,367</b>
				<b>Non-current liabilities:</b>			
				<b>Long-term provisions</b>	<b>20</b>	<b>46,497</b>	<b>47,789</b>
				<b>Non-current financial liabilities-</b>	<b>15 &amp; 16</b>		
				Bank borrowings and debt instruments or other marketable securities		808,849	868,072
				Other financial liabilities		78,615	90,792
						<b>887,464</b>	<b>958,864</b>
				<b>Deferred tax liabilities</b>	<b>18</b>	<b>134,233</b>	<b>159,145</b>
				<b>Non-current hedging derivatives</b>	<b>17</b>	<b>42,547</b>	<b>45,777</b>
				<b>Other non-current liabilities</b>	<b>21</b>	<b>93,914</b>	<b>86,637</b>
				<b>Total non-current liabilities</b>		<b>1,204,655</b>	<b>1,298,212</b>
				<b>Current liabilities:</b>			
				<b>Short-term provisions</b>	<b>20</b>	<b>269,946</b>	<b>237,378</b>
				<b>Current financial liabilities-</b>	<b>15 &amp; 16</b>		
				Bank borrowings and debt instruments or other marketable securities		170,760	199,979
				Other financial liabilities		62,512	44,144
						<b>233,272</b>	<b>244,123</b>
				<b>Trade and other payables-</b>			
				Payable to suppliers	<b>26</b>	710,496	688,104
				Other payables	<b>12, 15 &amp; 19</b>	976,801	1,032,114
				Current tax liabilities	<b>19</b>	15,044	9,113
						<b>1,702,341</b>	<b>1,729,331</b>
				<b>Current hedging derivatives</b>	<b>17</b>	<b>20,071</b>	<b>61,140</b>
				<b>Other current liabilities</b>	<b>21</b>	<b>4,663</b>	<b>7,275</b>
				<b>Total current liabilities</b>		<b>2,230,293</b>	<b>2,279,247</b>
<b>Total current assets</b>		<b>2,719,627</b>	<b>2,780,858</b>	<b>Total Equity and liabilities</b>		<b>4,079,151</b>	<b>4,322,826</b>
<b>Total Assets</b>		<b>4,079,151</b>	<b>4,322,826</b>				

(\*) Presented for comparison purposes only (see Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated balance sheet as at 31 December 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

**Construcciones y Auxiliar de Ferrocarriles, S.A.**  
**and Subsidiaries**  
**composing the CAF Group**

**Consolidated Statements of Profit or Loss**  
**for the years ended 31 December 2020 and 2019**  
**(Notes 1, 2 and 3)**  
**(Thousands of Euros)**

	Note	(Debit) Credit	
		2020	2019 (*)
<b>Continuing operations:</b>			
Revenue	6, 9 & 10	2,762,472	2,597,655
+/- Changes in inventories of finished goods and work in progress		(39,347)	18,235
In-house work on non-current assets		2,381	13,901
Procurements	22	(1,478,806)	(1,388,778)
Other operating income	22	16,197	27,518
Staff costs	23	(695,039)	(654,607)
Other operating expenses	22	(366,379)	(408,098)
Depreciation and amortisation charge	7 & 8	(89,494)	(80,667)
Impairment and gains or losses on disposals of non-current assets	7, 8 & 9	8,899	(165)
Other results		11	
<b>Profit from Operations</b>		<b>120,895</b>	<b>124,994</b>
Finance income	9, 10, 13 & 15	6,121	17,402
Finance costs	9, 16 & 17	(47,641)	(72,885)
Changes in fair value of financial instruments		(35)	33
Exchange differences		(26,106)	(6,120)
Impairment and gains or losses on disposals of financial instruments	9	22	(337)
<b>Financial Loss</b>		<b>(67,639)</b>	<b>(61,907)</b>
Result of companies accounted for using the equity method	9	(4,179)	(1,949)
<b>Profit before Tax</b>		<b>49,077</b>	<b>61,138</b>
Income tax	18	(38,824)	(36,048)
<b>Profit for the year from continuing operations</b>		<b>10,253</b>	<b>25,090</b>
<b>Consolidated Profit for the Year</b>		<b>10,253</b>	<b>25,090</b>
Attributable to:			
The Parent		9,012	24,745
Non-controlling interests		1,241	345
<b>Earnings per share (euros)</b>			
Basic		0.26	0.72
Diluted		0.26	0.72

(\*) Presented for comparison purposes only (see Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of profit or loss for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

**Construcciones y Auxiliar de Ferrocarriles, S.A.  
and Subsidiaries  
composing the CAF Group**

**Consolidated Statements of Comprehensive Income  
for 2020 and 2019  
(Notes 1, 2 and 3)  
(Thousands of Euros)**

	Note	2020	2019 (*)
<b>A) Consolidated profit for the year:</b>		<b>10,253</b>	<b>25,090</b>
<b>B) Other comprehensive income - Items not reclassified to profit or loss:</b>		<b>(1,947)</b>	<b>(3,568)</b>
Arising from actuarial gains and losses	3-j	(2,482)	(5,816)
Equity instruments at fair value through other comprehensive income	9	535	2,248
Tax effect	18	-	-
<b>C) Items that may be reclassified subsequently to profit or loss:</b>		<b>(79,785)</b>	<b>970</b>
<b>Cash flow hedges:</b>		<b>(1,296)</b>	<b>1,688</b>
Revaluation gains/losses	17	(1,523)	1,453
Amounts transferred to profit or loss		227	235
<b>Translation differences:</b>		<b>(77,046)</b>	<b>6,953</b>
Revaluation gains/losses	14	(77,046)	6,953
Amounts transferred to profit or loss		-	-
<b>Share of other comprehensive income recognised for investments in joint ventures and associates:</b>		<b>(1,754)</b>	<b>(7,266)</b>
<i>Revaluation gains/losses-</i>			
Cash flow hedges	9 & 17	(1,849)	(7,641)
Translation differences		(225)	55
		(2,074)	(7,586)
<i>Amounts transferred to profit or loss-</i>			
Cash flow hedges	17	320	320
Translation differences		-	-
		320	320
<b>Tax effect</b>		<b>311</b>	<b>(405)</b>
<b>Total comprehensive income (A+B+C)</b>		<b>(71,479)</b>	<b>22,492</b>
Attributable to:			
The Parent		(72,297)	22,074
Non-controlling interests		818	418

(\*) Presented for comparison purposes only (see Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of comprehensive income for 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

**Construcciones y Auxiliar de Ferrocarriles, S.A.  
and Subsidiaries composing the CAF Group**

**Consolidated Statements of Changes in Equity  
for 2020 and 2019 (Notes 1, 2 and 3)  
(Thousands of Euros)**

	Equity attributable to the Parent						Non-controlling interests	Total equity
	Shareholder's equity				Valuation adjustments	Translation differences		
	Share capital	Share premium	Reserve for unrealised fair value gains and losses	Other accumulated reserves and profit for the year attributable to the Parent				
<b>Balances at 31 December 2018</b>	<b>10,319</b>	<b>11,863</b>	<b>39,119</b>	<b>837,217</b>	<b>(5,024)</b>	<b>(141,782)</b>	<b>5,555</b>	<b>757,267</b>
<b>Total comprehensive income</b>	-	-	-	<b>21,177</b>	<b>(6,038)</b>	<b>6,935</b>	<b>418</b>	<b>22,492</b>
<b>Transactions with shareholders or owners</b>	-	-	-	<b>(40,714)</b>	-	<b>165</b>	<b>6,157</b>	<b>(34,392)</b>
Dividends distribution	-	-	-	(26,225)	-	-	(1,327)	(27,552)
Other transactions with non-controlling interests (Note 2-f)	-	-	-	(14,489)	-	165	7,484	(6,840)
<b>Other changes in equity</b>	-	-	-	-	-	-	-	-
Transfers between equity items (Note 14)	-	-	-	-	-	-	-	-
<b>Balances at 31 December 2019 (*)</b>	<b>10,319</b>	<b>11,863</b>	<b>39,119</b>	<b>817,680</b>	<b>(11,062)</b>	<b>(134,682)</b>	<b>12,130</b>	<b>745,367</b>
<b>Total comprehensive income</b>	-	-	-	<b>7,065</b>	<b>(2,513)</b>	<b>(76,849)</b>	<b>818</b>	<b>(71,479)</b>
<b>Transactions with shareholders or owners</b>	-	-	-	<b>(27,971)</b>	-	-	<b>(1,714)</b>	<b>(29,685)</b>
Dividends distribution	-	-	-	(28,864)	-	-	(821)	(29,685)
Other transactions with non-controlling interests (Note 2-f)	-	-	-	893	-	-	(893)	-
<b>Other changes in equity</b>	-	-	-	-	-	-	-	-
Transfers between equity items (Note 14)	-	-	-	-	-	-	-	-
<b>Balances at 31 December 2020</b>	<b>10,319</b>	<b>11,863</b>	<b>39,119</b>	<b>796,774</b>	<b>(13,575)</b>	<b>(211,531)</b>	<b>11,234</b>	<b>644,203</b>

(\*) Presented for comparison purposes only (see Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2020.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.

## Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries composing the CAF Group

### Consolidated Statements of Cash Flows for 2020 and 2019 (Notes 1, 2 and 3) (Thousands of Euros)

	Note	2020	2019 (*)
<b>Cash flows from operating activities:</b>			
Profit before tax		49,077	61,138
Adjustments for-			
Depreciation and amortisation charge	7 & 8	89,494	80,667
Impairment losses	7, 8 & 9	686	2,161
Changes in provisions	3 & 20	40,461	34,003
Other income and expenses		(4,458)	(33,870)
Gains and losses on disposals of non-current assets	8	(8,899)	300
Investments accounted for using the equity method	9	4,179	1,949
Finance income		(6,121)	(17,402)
Finance costs		47,641	72,885
Changes in working capital-			
Trade receivables and other current assets	3-d & 12	1,651	(79,412)
Inventories	11	(19,487)	(65,658)
Trade payables	12	431	102,379
Other current assets and liabilities		4,591	(5,699)
Other non-current assets and liabilities		17,696	12,312
Other cash flows from operating activities-			
Income tax paid	19	(38,273)	(33,858)
Other amounts paid relating to operating activities		(1,518)	(3,118)
<b>Net cash (used in) / from operating activities (I)</b>		<b>177,151</b>	<b>128,777</b>
<b>Cash flows from investing activities:</b>			
Payments due to investment-			
Group companies and associates		-	(206)
Business units		-	(50,829)
Property, plant and equipment, intangible assets and investment property	7 & 8	(49,298)	(72,260)
Other financial assets	9 & 13	(27,840)	(12,278)
Proceeds from investments-			
Group companies and associates	9	585	1,036
Property, plant and equipment, intangible assets and investment property	7 & 8	583	333
Other financial assets	9 & 13	45,795	30,354
Interest received	9 & 13	3,405	10,222
<b>Net cash (used in) / from investing activities (II)</b>		<b>(26,770)</b>	<b>(93,628)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of equity instruments - non-controlling interests		-	7,484
Purchase of equity instruments - non-controlling interests	15	(3,809)	(7,646)
Proceeds/(Payments) relating to financial liability instruments-			
Issue	15 & 16	491,990	680,870
Repayment	15 & 16	(546,493)	(691,130)
Dividends and returns on other equity instruments paid	14	(821)	(27,552)
Other cash flows from financing activities-			
Interest paid	16	(53,134)	(64,448)
<b>Net cash (used in) / from financing activities (III)</b>		<b>(112,267)</b>	<b>(102,422)</b>
<b>Net increase / (decrease) in cash and cash equivalents (I+II+III)</b>		<b>38,114</b>	<b>(67,273)</b>
Cash and cash equivalents at beginning of year		538,983	602,813
Effect on cash of foreign exchange rate changes		(3,169)	3,443
<b>Cash and cash equivalents at end of year</b>		<b>573,928</b>	<b>538,983</b>

(\*) Presented for comparison purposes only (see Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of comprehensive income for 2020.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (Notes 2 and 28). In the event of a discrepancy, the Spanish-language version prevails.*

## **Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries (that compose the CAF Group)**

Notes to the Consolidated Financial Statements  
for the Year Ended 31 December 2020

### **1. Description and activities of the Parent**

Construcciones y Auxiliar de Ferrocarriles, S.A. ("CAF" or "the Parent") was incorporated in 1917 for an indefinite period of time in San Sebastián (Gipuzkoa), and its registered office is in Calle José Miguel Iturrioz, 26, Beasain (Gipuzkoa) (Spain).

The Parent's object is described in Article 2 of its bylaws.

The Parent currently engages mainly in the manufacture of rolling stock materials.

The Parent, as part of its business activities, holds majority ownership interests in other companies (Note 2-f).

### **2. Basis of presentation of the consolidated financial statements**

#### ***a) Basis of presentation***

The consolidated financial statements for 2020 of the CAF Group were formally prepared by the directors:

- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, including International Accounting Standards (IASs) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the Standing Interpretations Committee (SIC). The principal accounting policies and measurement bases applied in preparing the Group's accompanying consolidated financial statements are summarised in Note 3.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in Note 3.
- So that they present fairly the CAF Group's consolidated equity and consolidated financial position at 31 December 2020 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The CAF Group's consolidated financial statements for 2019 were approved by the shareholders at the Annual General Meeting of CAF on 13 June 2020. The 2020 consolidated financial statements of the Group and the 2020 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. However, CAF's Board of Directors considers that the aforementioned financial statements will be approved without any changes.

## **b) Adoption of new standards and interpretations issued**

In 2020 various amendments to and/or interpretations of IAS 1 and IAS 8 came into force relating to the definition of "material", as well as amendments to IFRS 9, IAS 39 and IFRS 7 relating to the interest rate benchmark reform in progress and the amendments to IFRS 3 relating to clarifications of the definition of a business. Also, amendments to IFRS 16 to facilitate lessees' accounting for COVID-19-related rent concessions became effective. These amendments did not have a significant impact on the preparation of these consolidated financial statements.

### *Standards and interpretations issued but not yet in force*

At the date of preparation of these consolidated financial statements, the most significant new standards, amendments and interpretations that had been published by the IASB but which had not come into force, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

New standards, amendments and interpretations	Obligatory application in annual reporting periods beginning on or after
<b>Approved for use in the European Union - Amendments and/or interpretations</b> Insurance contracts (Amendments to IFRS 4) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021 1 January 2021
<b>Not yet approved for use in the European Union - New standards</b> Insurance Contracts (IFRS 17)	1 January 2023
<b>Amendments and/or interpretations</b> Presentation of Financial Statements (Amendments to IAS 1) Amendments to References to the Conceptual Framework in IFRS Standards (Amendments to IFRS 3) Proceeds before Intended Use (Amendments to IAS 16) Onerous Contracts (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023 1 January 2022 1 January 2022 1 January 2022 1 January 2022 1 January 2022

The Group performed a preliminary assessment of the impact that the future application of the standards that come into force in annual reporting periods beginning on or after 1 January 2021 will have on the consolidated financial statements. The Group considers that the application of the new standards and amendments will not have a significant impact on its consolidated financial statements.

## **c) Functional currency**

These consolidated financial statements are presented in euros, since it is the currency of the main economic area in which the Group operates. Foreign operations are accounted for in accordance with the policies described in Note 2-f.

## **d) Use of estimates**

In the consolidated financial statements of the CAF Group for 2020 estimates were occasionally made. These estimates, which were made on the basis of the best information available, relate basically to the following:

- The assessment of possible impairment losses on certain assets (Notes 7, 8, 9, 10, 11, 12 and 13);
- The assumptions used in the actuarial calculation of pension and other obligations to employees (Note 15);
- The useful life of the property plant and equipment and intangible assets (Notes 3-a and 3-b);
- The fair value of certain financial assets (Note 3-d);

- The calculation of provisions and penalties that reduce the sales price (Notes 20 and 26-a);
- The assessment of the probability of having future taxable profits against which unused recognised tax assets can be utilised (Note 18);
- Changes in estimated costs in the budgets for construction projects performed and percentage of completion (Note 3-f).

Although these estimates were made on the basis of the best information available at 31 December 2020 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated statement of profit or loss.

#### **e) Comparative information**

As required by IAS 1, the information relating to 2020 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2019.

The 2019 consolidated financial statements, which are included for comparison purposes, were also prepared in accordance with IFRSs as adopted by the European Union on a basis consistent with that applied in 2020.

In addition, with a view to performing an appropriate comparison between the consolidated financial statements for 2020 and 2019, the changes in scope described in Note 2-f should be taken into account.

#### **f) Consolidated Group and basis of consolidation**

##### *Scope of consolidation*

The accompanying consolidated financial statements include the Parent and the companies over which it exercises control; control is defined as the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities.

The accompanying consolidated financial statements for the year ended 31 December 2020 were prepared from the separate accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (the Parent - Note 1) at that date and of the subsidiaries and associates listed below:



Rolling stock segment	% of control or influence	Location	Line of business
<b>Fully consolidated companies -</b> Construcciones y Auxiliar de Ferrocarriles, S.A.	Parent	Gipuzkoa	Marketing and manufacture of rolling stock equipment and components
Actren Mantenimiento Ferroviario, S.A.	51%	Madrid	Maintenance
BWB Holdings Limited (**)	100% (*)	Nottingham	Engineering
CAF Arabia Company	100%	Riyadh	Manufacturing and maintenance
CAF Argelia (EURL)	100%	Argel	Manufacturing and maintenance
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	100%	Buenos Aires	Repairs and maintenance
CAF Brasil Indústria e Comércio, S.A.	100%	Sao Paulo	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	100%	Bruselas	Manufacturing and maintenance
CAF Chile, S.A.	100%	Santiago de Chile	Manufacturing and maintenance
Construcciones y Auxiliar de Ferrocarriles CAF Colombia, S.A.S.	100%	Medellín	Manufacturing and maintenance
CAF Deutschland GmbH	100%	Munich	Manufacturing and maintenance
CAF Digital & Design Solutions, S.A.U.	100%	Jaén	Manufacturing and engineering
CAF Diversified Business Development, S.A.U.	100%	Gipuzkoa	Holding company
CAF Engineered Modernizations, S.L.U.	100%	Gipuzkoa	Engineering
CAF France, SAS	100%	París	Manufacturing and maintenance
CAF Group UK Limited	100%	Coventry	Holding company
CAF Hungary Kft	100%	Budapest	Manufacturing and maintenance
CAF I+D, S.L.U.	100%	Gipuzkoa	R&D
CAF Investment Projects, S.A.U.	100%	Gipuzkoa	Business development
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance
CAF IP Colombia, S.A.S.	100%	Bogotá	Lease services
CAF Israel Rails Ltd.	100%	Tel Aviv	Building, manufacturing and maintenance
CAF Italia, S.R.L.	100%	Roma	Repairs and maintenance
CAF México, S.A. de C.V.	100%	México D.F.	Manufacturing and maintenance
CAF Netherlands, B.V.	100%	Utrecht	Manufacturing and maintenance
CAF New Zealand Limited	100%	Auckland	Manufacturing and maintenance
CAF Norway AS	100%	Oslo	Manufacturing and maintenance
CAF Power & Automation, S.L.U.	100%	Gipuzkoa	Electronic and power equipment
CAF Rail Australia Pty Ltd	100%	Sydney	Building, manufacturing and maintenance
CAF Rail Digital Services S.L.U.	100%	Gipuzkoa	Maintenance
CAF Rail Luxembourg, S.À R.L.	100%	Luxemburgo	Manufacturing and maintenance
CAF Rail UK Limited	100%	Belfast	Manufacturing and maintenance
CAF Rolling Stock UK Limited	100%	Newport	Manufacturing
CAF Systeme Feroviare S.R.L.	100%	Bucarest	Manufacturing and maintenance
CAF Signalling, S.L.U.	100%	Gipuzkoa	Signalling
CAF Signalling Uruguay, S.A.	100%	Montevideo	Signalling
CAF Sinyalizasyon Sistemleri Ticaret Limited Sirketi	100%	Estambul	Signalling
CAF Taiwan Ltd.	100%	Kaohsiung	Manufacturing and maintenance
CAF Track Test Center, S.L.U.	100%	Navarra	Track testing
CAF Turnkey & Engineering, S.L.U.	100%	Bizkaia	Engineering
CAFTurk Tren Sanayi Ve Ticaret Limited Sirketi	100%	Estambul	Manufacturing and maintenance
CAF USA, Inc.	100%	Delaware	Manufacturing and maintenance
Centro de Ensayos y Analisis Cetest, S.L.	100%	Gipuzkoa	Tests
Ctrens - Companhia de Manutenção, S.A.	100%	Sao Paulo	Lease services
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Maintenance
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	100%	México D.F.	Building and Maintenance
Corporación Sefemex, S.A. de C.V.	100%	México D.F.	Rendering of services
Corporación Trainemex, S.A. de C.V.	100%	México D.F.	Rendering of services
EuroMaint Bemanning AB	100%	Solna	Maintenance
EuroMaint Components and Materials AB	100%	Solna	Maintenance
EuroMaint Gruppen AB	100%	Solna	Maintenance
EuroMaint Rail AB	100%	Solna	Maintenance
EuroMaint Rail AS	100%	Oslo	Maintenance
Geminys, S.L.	100%	Gipuzkoa	Operating manuals
Lander Simulation and Training Solutions, S.A.	76.13%	Gipuzkoa	Simulators
Metro CAF (Mauritius) Ltd.	100%	Mauricio	Building, manufacturing and maintenance
Provetren, S.A. de C.V.	100%	México D.F.	Lease services
Rail Line Components, S.L.U.	100%	Gipuzkoa	Marketing
Regiotren, S.A. de C.V.	100%	México D.F.	Lease services
Rifer SRL	100%	Milán	Component maintenance
Sermanbra - Serviços de Manutenção Brasil Ltda.	100%	Sao Paulo	Maintenance
Sermanfer, S.A.U.	100%	Madrid	Maintenance
Sermantren, S.A. de C.V.	100%	México D.F.	Rendering of services
Tradinsa Industrial, S.L.	100%	Lleida	Repairs and maintenance
Tram Liège Maintenance S.A.	65%	Lieja	Maintenance
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance
Trenes de Navarra, S.A.U.	100%	Navarra	Manufacturing

Rolling stock segment	% of control or influence	Location	Line of business
<b>Companies accounted for using the equity method (Note 9) -</b>			
Arabia One for Clean Energy Investments PSC.	40%	Ma'an	Power generation
Asiris Vision Technologies, S.A.	22.33%	Gipuzkoa	Automated production
CAF Tiansheng Power System Limited Company	49%	Changzhou	Electronic and power equipment
Consorcio Traza, S.A. (***)	25%	Zaragoza	Holding company
Ferrocarril Interurbano S.A. de C.V.	49.63%	México D.F.	Manufacturing and equipment
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	43.35%	México D.F.	Transport services
Great River City Light Rail Pty Ltd	30%	Sydney	Operation and maintenance
J-NET O & M Ltd.	50%	Petach Tikva	Operation and maintenance
Light TLV NTA Ltd.	50%	Petach Tikva	Lease services
Momentum Trains Holding Pty Ltd	25.50%	Sydney	Lease services
Orbital Sistemas Aeroespaciales, S.L.	30%	Navarra	Aeronautical solutions
Plan Metro, S.A.	40%	Gipuzkoa	Lease services
Purple Line Transit Operators LLC	20%	Delaware	Operation and maintenance
TransJerusalem J-Net Ltd.	50%	Petach Tikva	Lease services

(\*) Considering the options described in Note 15 to these consolidated financial statements.

(\*\*) This company owns all the shares of Quincey Mason Practice, Ltd., BWB Consulting, Ltd. and BWB Regeneration, Ltd.

(\*\*\*) This company holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

Buses segment	% of control or influence	Location	Line of business
<b>Fully consolidated companies -</b>			
Solaris Bus & Coach, sp. z.o.o.	97.33%	Bolechow	Solutions for urban transport
Solaris Austria GmbH	97.33%	Viena	Solutions for urban transport
Solaris Bus Iberica, S.L.U	97.33%	Navarra	Solutions for urban transport
Solaris Bus Israel Ltd.	97.33%	Tel Aviv	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	97.33%	Riga	Solutions for urban transport
Solaris Bus & Coach Romania S.R.L.	97.33%	Bucarest	Solutions for urban transport
Solaris Czech spol. S.R.O.	97.33%	Ostrava	Solutions for urban transport
Solaris Danmark Bus A/S	97.33%	Padborg	Solutions for urban transport
Solaris Deutschland GmbH	97.33%	Berlin	Solutions for urban transport
Solaris France S.A.R.L.	97.33%	Ennery	Solutions for urban transport
Solaris Hellas, S.A.	68.13%	Atenas	Solutions for urban transport
Solaris Italia S.R.L.	97.33%	Roma	Solutions for urban transport
Solaris Norge AS	97.33%	Oslo	Solutions for urban transport
Solaris Schweiz GmbH	97.33%	Hausen	Solutions for urban transport
Solaris Slovakia S.R.O.	97.33%	Kosice	Solutions for urban transport
Solaris Sverige AB	97.33%	Malmö	Solutions for urban transport
Openaco Trading Co. Ltd.	100%	Chipre	Holding company
UAB Solaris Bus & Coach LT	100%	Kaunas	Solutions for urban transport
<b>Companies accounted for using the equity method (Note 9) -</b>			
JBM Solaris Electric Vehicles Private Limited	20%	Ballabgarh, India	Solutions for urban transport

#### *Changes in the scope of consolidation*

In 2020 UAB Solaris Bus & Coach LT, J-NET O & M Ltd. and Light TLV NTA, Ltd. were incorporated; the Group has ownership interests of 100%, 50% and 50%, respectively, in these companies. Also, the Parent performed a capital increase at Solaris Bus & Coach sp. z.o.o. by converting debt into share capital for an amount of EUR 11,500 thousand and its ownership interest increased from 97.20% to 97.33%.

In addition, in 2020 the energy line of business of Nuevas Estrategias de Mantenimiento, S.L. (NEM) was spun off in favour of a new company the ownership interest of which was subsequently transferred in a cross-company transaction and, accordingly, the CAF Group held 100% of the ownership interest. Following this transaction, a corporate reorganisation took place and NEM was extinguished following its merger with CAF Rail Digital Services, S.L.U. (see Note 9-a).

In 2020 CAF Diversified Business Development, S.A.U. acquired an additional 12% ownership interest in Lander Simulation and Training Solutions S.A. after the minority shareholders exercised the related put options (see Note 15), bringing the Group's ownership interest to 76.13%.

Lastly, Ennera Kaihatsu Co., Ltd., Tumaker, S.L., Vectia Mobility Research & Development, A.I.E. and Solaris Bulgaria EOOD were liquidated with no significant impact.

In 2019 the most significant change in the scope of consolidation was the Parent's obtainment of control of Euromaint Gruppen AB and Subsidiaries ("Euromaint Group"), which were consolidated in the CAF Group on 2 July 2019 as described in Note 2-f to the consolidated financial statements for 2019.

In 2020 within the periods established by the legislation, the measurement of all the assets acquired and liabilities assumed was reviewed (see Note 2-e). In relation to the foregoing, there were no changes from the measurement taken at 31 December 2019, and, accordingly, there were no changes in the values recognised.

In 2019 the Group acquired the shares of the non-controlling interest of Vectia Mobility, S.L. and Vectia Mobility Research & Development, A.I.E. (ownership interest of 30%, respectively) for a total of EUR 7 million, and this non-controlling interest was included in the shareholder structure of the Solaris Bus & Coach, S.A. Group through the acquisition of a 2.8% holding and a payment of EUR 7 million. On 5 July 2019, the merger of Solaris Bus Ibérica, S.L.U. and Vectia Mobility S.L. was performed. The impact on consolidated equity gave rise to a charge of approximately EUR 7 million to "Other Reserves" with a credit to "Non-Controlling Interests".

In addition, the companies incorporated during the year were CAF Engineered Modernizations S.L.U., CAF Norway AS, CAF Rail Luxembourg, S.À R.L., Jarade, S.A. (currently called CAF Signalling Uruguay, S.A.), CAF Rail Digital Services, S.L.U., CAF Israel Rails Ltd and CAF IP Colombia S.A.S., with a 100% ownership interest; Momentum Trains Holding Pty Ltd, in which the subsidiary CAF Investment Projects, S.A.U. has a 25.50% interest; TransJerusalem J-Net Ltd, which is 50%-owned by the Parent; and CAF Tiansheng Power System Limited Company, which is 49%-owned by the subsidiary CAF Power & Automation, S.L.U.

#### *Consolidation method*

"Subsidiaries" are defined as companies over which the Parent has the capacity to exercise control; control exists when the Parent has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies were eliminated on consolidation.

Also, "associates" are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. A "joint venture" is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In the consolidated financial statements, investments in associates are accounted for using the "equity method", i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations, less any impairment of the individual investments (in the case of transactions with an associate, the related profits or losses are eliminated in proportion to the Group's ownership interest).

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions on significant activities require the unanimous consent of the parties sharing control. When a Group company carries on its activities under the framework of a joint operation, the Group as a joint operator will recognise the following in relation to its ownership interest in the joint operation:

- its assets and liabilities, including its share of any assets and liabilities held or incurred jointly;
- its share of the revenue and expenses arising from the joint operation.

#### *Translation of foreign currency financial statements*

The financial statements in foreign currencies were translated to euros using the "year-end exchange rate" method, which consists of translating all the assets, rights and obligations to euros at the closing exchange rates and the statement of profit or loss items at the average exchange rates for the year.

The difference between the amount of the foreign companies' equity translated at historical exchange rates (except for the profit or loss for the year, which is translated as stated above) and the asset value arising from the translation of the assets, rights and obligations at the closing exchange rates is presented in equity under "Translation Differences" in the consolidated balance sheet, net of the portion of the difference that relates to non-controlling interests, which is recognised under "Equity - Non-Controlling Interests".

### **g) Correction of errors**

In preparing the accompanying consolidated financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2019.

### **h) COVID-19**

COVID-19 was declared a pandemic by the World Health Organization in March 2020. The CAF Group is making every possible effort within the regulatory framework set out by the Spanish and international health authorities, guaranteeing the health and safety of all its employees as its priority, while maintaining the supply chain to its customers.

Consequently, in order to follow the guidelines set out by the governments of the countries in which the CAF Group operates, the Group has adapted its working practices and has prepared action protocols that include a series of prevention and protection measures to avoid the spread of the Coronavirus among its workers, as well as a line of action to be taken in the event that suspicious cases are detected.

On 16 March 2020, CAF decided to halt its train manufacturing activity at its plants in Spain when compliance with the minimum occupational health and safety conditions could not be ensured, in relation to the minimum distance between people, thereby avoiding possible infections in the workplace. At the various plants, agreements were reached with the works councils for the return to work, and the activity was restarted at the Spanish plants on 20 April, with an agreement to recover the days in which the activity was halted. To do this, organisational measures were taken to distribute all the workers into more evenly numbered groups in order to reduce as far as possible the crowding of people in various manufacturing areas. At 31 December 2020, the volume of hours to be recovered amounted to 31,000 hours, equal to EUR 1,329 thousand, which are recognised under "Trade and Other Receivables - Other Receivables" in the accompanying balance sheet (172,128 hours, equal to EUR 7,675 thousand, at 30 June 2020) and which will be recovered during the 2021 financial year, according to the agreement reached.

The recommencement of activity was defined by prioritising compliance with personal health and safety conditions, with preparation of the restart taking into account both legal requirements and all the guidelines and specific protocols developed by the health authorities, which were adapted to the reality of CAF's activities and facilities. The workers were informed of, and received training on, the general and specific prevention measures established for each of the activities to be performed before commencing them. The crisis management process applied in Spain is the same process followed in the other factories and sales offices, adapting the measures, where appropriate, to the particular characteristics of substance, form and time required by each country.

With regard to the manufacture of buses, activity continued in the production plants, although there were difficulties in making bus deliveries in areas especially affected by COVID-19.

In terms of services, COVID-19 had a direct effect on operators and the services they have offered the public and, consequently, on the requirements of the maintenance and guarantee work provided. The impact has been different in each country, due both to the measures adopted by the respective operators and to the differing level of contractual risk exposure in the face of situations of this nature. Following the Group's guidelines, working practices have been adapted with adapted protocols at all the centres throughout the world. At 31 December 2020, 64 maintenance workers were covered by furlough-type arrangements (Spanish ERTes) at various subsidiaries, due to the reduction in the scope of maintenance contracts (a maximum of 615 people having been reached in the month of May). At 17 February 2021, they applied to 62 workers (with varying percentages of impact for each employee depending on the demand for work).

Activities that could continue to be performed through remote working were maintained since the date on which manufacturing activities were halted. These actions led to a reduction in activity at most of the train production plants, and to a lesser extent in the area of services, and resulted in additional costs to mitigate and respond to this pandemic.

At the date of authorisation for issue of these financial statements, no events such as the termination of contracts with customers or significant litigation with customers or suppliers had occurred. During the 2020 financial year, the Group has continued to identify opportunities and submit offers in the market.

The effects of the reduction in activity and of the inefficiencies and incremental costs incurred by the Group in 2020 were recognised in the accompanying statement of profit or loss under "Profit (Loss) from Operations".

The Parent's directors consider that this is a temporary impact, as a portion of the inefficiencies caused by the halt in manufacturing activity is expected to be recovered and the fleet operators are expected to return to their normal levels of activity. However, there is a great deal of uncertainty as to the consequences of the pandemic in the coming months in the economic environment in which the Group operates. In this respect, the pandemic's evolution is being monitored continually with the aim of mitigating early any adverse impact that may arise in the future; the effects will depend to a large degree on the evolution and extension of the pandemic in the coming months and the approval of stimulus packages to boost the economy in such a way that does not check the level of public authorities' current commitment to sustainable mobility.

As described in Note 5-a.2, the Group is exposed to foreign currency risk in relation to various currencies. During this period, the Group's exposure to the various currencies did not vary significantly with respect to the exposure at 31 December 2019, with significant variations occurring in the exchange rates of the currencies of the main countries in which the Group operates, with a significant impact on earnings.

The CAF Group has adopted additional measures to boost its capacity to obtain financing and limit the financial impact of this crisis, with the optimisation of operations, the postponement of non-critical investments and a significant reduction in discretionary spending.

Among the main measures to strengthen the liquidity position, and in light of the uncertainty caused by COVID-19, the Group increased its financing lines, which contributed to improving the Group's liquidity in the period, reaching EUR 1,115 million at 31 December 2020 (31 December 2019: EUR 914 million). This amount, together with the current level of the backlog, continues to guarantee the normal course of business (see Notes 14-i and 16).

Additionally, the estimates made by the Parent's senior management to assess the impairment of investments in Group companies and associates, intangible and tangible assets and financial assets were updated, based on the new conditions arising from the pandemic.

Lastly, the Group's credit risk exposure did not increase significantly nor were impairment events identified and, therefore, the Group was not affected by the expected credit loss on its trade receivables recognised at 31 December 2020.

### **3. Accounting principles and policies and measurement bases applied**

The principal accounting policies used by the CAF Group in preparing its consolidated financial statements as at 31 December 2020 and 2019 were as follows:

#### **a) Intangible assets**

##### *Goodwill*

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to the cash-generating units to which the economic benefits of the business combination are expected to flow and is not amortised. Instead, these cash-generating units are tested for impairment at least once a year using the methodology described in Note 3-c and, where appropriate, are written down.

##### *Other intangible assets*

Intangible assets (internal computer software developments and development projects for which there are no doubts as to their technical and commercial success) are measured at their acquisition cost or accumulated production cost applied in accordance with inventory measurement bases (Note 3-e).

Commercial relationships, customer portfolio and trademarks arise mainly from business combinations (acquisitions of Solaris, EuroMaint, BWB and Rifer) and are recognised initially at acquisition-date fair value, which is their deemed cost (Note 2-f).

Other intangible asset items are amortised on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Commercial relationships and customer portfolio Patents, licences and trademarks	1,5 – 18 20 – indefinite useful life
Development expenditure	5
Computer software and other	2 – 10

Development projects are amortised on a straight-line basis over five years from their acquisition or completion. (Note 7).

### **b) Property, plant and equipment**

Items of "Property, plant and equipment" are carried at cost revalued, where appropriate, pursuant to the applicable legislation, including Gipuzkoa Regulation 11/1996, of 5 December, and the surplus resulting therefrom was treated as part of the cost of these assets, in accordance with IFRSs and pursuant to the alternative accounting treatment provided for by IFRS 1, whereby the fair value at the date of transition is used as the deemed cost for certain specific assets.

The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised as a higher cost of the corresponding assets.

In-house work performed by the consolidated companies on items of property, plant and equipment is recognised at the related accumulated production cost allocated in accordance with inventory measurement bases (Note 3-e).

The items of property, plant and equipment are depreciated on a straight-line basis at rates based on the following years of estimated useful life:

	Years of estimated useful life
Buildings	25 – 50
Plant and machinery	3 – 10
Transport equipment (Leasing)	5 – 10
Other fixtures, tools and furniture	3 – 10
Other items of property, plant and equipment	5 – 20

In general, for items of property, plant and equipment that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and which have been charged by the supplier or relate to loans borrowed specifically or generally directly attributable to the acquisition or production of the assets.

### **c) Impairment of assets**

At each balance sheet date, the CAF Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is deemed to be the present value of estimated future cash flows.

The recoverable amounts are calculated for each cash-generating unit, although in the case of property, plant and equipment, wherever possible, the impairment tests are performed individually for each asset.

If an impairment loss has to be recognised for a cash-generating unit to which all or part of an item of goodwill has been allocated, the carrying amount of the goodwill relating to that unit is written down first. If the loss exceeds the carrying amount of this goodwill, the carrying amount of the other assets of the

cash-generating unit is then reduced, on the basis of their carrying amount, down to the limit of the highest of the following values: fair value less costs to sell; value in use; and zero.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised as income.

#### **d) Financial instruments**

In accordance with the classification criteria established by IFRS 9, the Group classifies its financial assets in the following categories:

##### **Financial assets**

The financial assets held by the Group are classified on the basis of the nature of the financial asset's contractual cash flows and the business model for managing its financial assets, in the following categories:

##### 1. Financial assets at amortised cost

This category includes financial assets that are held for the purpose of collecting contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are initially recognised at fair value and are subsequently measured at amortised cost.

The Group calculates a loss allowance for expected credit losses taking as a reference the expected losses in the next 12 months, unless the credit risk has increased significantly, in which case the Group calculates the loss allowance taking as a reference the expected life of the financial instrument. The credit risk did not increase in 2020 (see Note 2-h).

In order to calculate this impairment, the Group uses as reference the creditworthiness of the borrowers, which is estimated using information available in the market (ratings) and adjusted following a case-by-case analysis of the collection guarantees available.

The Group derecognises a financial asset when all the risks and rewards of ownership of the asset have been transferred to another entity or when the contractual rights to the cash flows from the asset expire. At 31 December 2020, the Group had derecognised receivables amounting to EUR 89,180 thousand (31 December 2019: EUR 60,639 thousand) as a result of non-recourse factoring agreements.

##### 2. Financial assets measured at fair value through other comprehensive income

Equity instruments that the Group has made the irrevocable election to classify as financial assets at fair value through other comprehensive income are recognised in this category.

The financial assets included in this category are initially recognised at fair value including any transaction costs. These assets are subsequently measured at fair value through other comprehensive income. The cumulative gain or loss is not transferred to profit or loss on disposal of these equity instruments. Dividends are recognised under "Finance Income" in the consolidated statement of profit or loss.

The Group has designated all its investments in equity instruments as measured at fair value through other comprehensive income (Note 9).

##### 3. Financial assets at fair value through profit or loss

Assets that do not meet the requirements to be included in either of the other two categories are included in this category. The financial assets included in this category are initially recognised at fair value which,

in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given. Directly attributable transaction costs are recognised in consolidated profit or loss. After initial recognition, the assets in this category are measured at fair value through profit or loss.

### ***Financial Liabilities***

Accounts payable are initially recognised at market value and are subsequently measured at amortised cost using the effective interest rate. The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

Borrowings are recognised initially at fair value less the transaction costs incurred. They are subsequently measured at amortised cost, and any difference between the funds obtained (net of the costs required to obtain them) and the repayment value is recognised in the statement of profit or loss over the term to maturity of the debt using the effective interest method.

The Group only derecognises financial liabilities when the obligations giving rise to them are cancelled, eliminated or expire.

### ***Derivative financial instruments***

The Group uses derivative financial instruments to hedge the foreign currency risk to which its project contracts and certain investments in investees are exposed, and to hedge the interest rate risk arising from loan drawdowns (Notes 5 and 17).

The fair value of the derivative financial instruments was calculated including the credit risk, the entity's own credit risk for liability derivative financial instruments, and the counterparty's credit risk for asset derivative financial instruments.

The Group reviews the conditions for a financial derivative to qualify for hedge accounting to ensure that such conditions are met, i.e.: (1) it hedges one of the following three types of risk: fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation; (2) it effectively eliminates any risk inherent to the hedged item or position throughout the projected term of the hedge; and (3) there is suitable documentation to evidence that the financial derivative was arranged specifically to hedge certain balances or transactions and how it was intended to achieve and measure the effectiveness of the hedge, provided that this was consistent with the Group's risk management policy.

The CAF Group has defined financial risk management objectives and policies which set forth, in writing, the policy in respect of the arrangement of derivatives and hedging strategy.

These financial instruments are initially recognised at acquisition cost. The changes in the fair value of the derivative financial instruments that were designated and effective as hedges are subsequently recognised as follows:

- In fair value hedges, the gains or losses arising on both the hedging instrument and the hedged item attributable to the type of risk being hedged are recognised directly under "Financial Loss" in the accompanying consolidated statement of profit or loss. The Group recognises as fair value hedges the hedges arranged for construction work when the necessary conditions are met for hedges of this nature (existence of a firm commitment).
- In cash flow hedges, the gains or losses attributable to the effective portion of the hedging instrument are recognised temporarily in equity under "Valuation Adjustments - Hedges". This method is used by the Group to hedge projects in which the hedged risk is not a firm and signed commitment but rather a highly probable forecast transaction, and for interest rate hedges. To the extent that a highly probable transaction gives rise to a firm commitment, the amounts previously recognised in equity are reclassified to profit or loss.
- In hedges of net investments in foreign operations, the gains or losses attributable to the portion of the hedging instrument qualifying as an effective hedge are recognised temporarily in equity under "Translation Differences".



Fair value measurements of financial assets and liabilities are classified according to the following hierarchy established in IFRS 13:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

The detail of the CAF Group's assets and liabilities measured at fair value according to the levels indicated above at 31 December 2020 and 2019 is as follows (in thousands of euros):

### 2020

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity instruments (Note 9-b)	-	-	25,228	25,228
Derivatives (Note 17)	-	57,325	-	57,325
Other financial assets (Note 13)	61,097	-	-	61,097
<b>Total assets</b>	<b>61,097</b>	<b>57,325</b>	<b>25,228</b>	<b>143,650</b>
<b>Liabilities</b>				
Derivatives (Note 17)	-	62,618	-	62,618
Other financial liabilities (Note 15)	-	-	7,988	7,988
<b>Total liabilities</b>	<b>-</b>	<b>62,618</b>	<b>7,988</b>	<b>70,606</b>

### 2019

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity instruments (Note 9-b)	-	-	24,911	24,911
Derivatives (Note 17)	-	85,011	-	85,011
Other financial assets (Note 13)	60,564	-	-	60,564
<b>Total assets</b>	<b>60,564</b>	<b>85,011</b>	<b>24,911</b>	<b>170,486</b>
<b>Liabilities</b>				
Derivatives (Note 17)	-	106,917	-	106,917
Other financial liabilities (Note 15)	-	-	12,110	12,110
<b>Total liabilities</b>	<b>-</b>	<b>106,917</b>	<b>12,110</b>	<b>119,027</b>

The fair value of the derivative financial instruments was calculated using mainly variables based on observable market data (year-end exchange rates and yield curves).

To calculate the fair value of equity instruments, the Group uses appropriate measurement techniques based on the circumstances and on the volume of inputs available for each ownership interest, attempting to maximise the use of relevant observable inputs. These investments were measured at fair value using the business model of each one and the contractual terms and conditions thereof, assessing different scenarios and using discount rates checked with independent experts (Note 9-b).

The Group considers that, due to their characteristics, the fair value of the financial assets and liabilities measured at amortised cost does not significantly differ from their amortised cost.

#### e) Inventory measurement bases

Raw materials and other supplies and goods held for resale are measured at the lower of average acquisition cost or net realisable value.

Work in progress and finished and semi-finished goods are presented net of costs already settled as described in Note 3-f and are measured as follows:

- Materials and expenses allocated to each project: at the average acquisition or production cost.
- Processing costs: based on standard hourly absorption rates for labour and direct and indirect production overheads, which do not differ significantly from actual hourly rates.
- For inventories that require a period of more than twelve months to be ready for sale, cost includes borrowing costs.

**f) Recognition of contract revenue and profit**

The Group recognises revenue from the following main sources:

- *Construction and engineering contracts*

For train and traction equipment construction contracts, the Group generally recognises the income and profit or loss on each contract by reference to the estimated stage of completion of the contract, calculated on the basis of the actual hours incurred in each contract as a percentage of the estimated total hours, which is in keeping with other methods for determining the stage of completion on the basis of the costs incurred compared with the budgeted costs.

Once the projected profit or loss on each contract has been determined, the Group applies the following correcting coefficients to determine actual profit or loss and revenue:

- With a percentage of completion of between 0% and 10%, no profit or revenue is recognised, in order to take into account the initial margin of uncertainty of the contracts in the long term.
- From 10% onwards, a percentage of profit and revenue equal to the percentage of completion is recognised.

For civil engineering construction, signalling and engineering services contracts, revenue and the profit or loss on these contracts are recognised by reference to the estimated stage of completion of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

Potential losses on project contracts are recognised in full when they become known or can be estimated.

The CAF Group analyzes for each contract the applicable regulatory framework for unilateral cancellations, in order to guarantee the right to be paid for the services rendered to date at price that reflects the cost plus margin incurred.

The Group only recognises income arising from claims when the customer has accepted the claim and there is evidence of such acceptance by means of a contractual amendment or a similar legal document.

Based on the revenue realised, the projected profit or loss on each contract (calculated as described above) and the stage of completion, inventories are derecognised for the amount of the costs settled with a charge to the related consolidated statement of profit or loss and a credit to "Inventories" on the asset side of the consolidated balance sheet (Note 11).

Lastly, since the guarantees that are offered on these contracts are not higher than those offered in the industry and are not additional guarantees, they are considered to be a single performance obligation together with the construction of the train or traction equipment.

- *Sale of buses, wheel sets, replacement parts and lesser refurbishments*

Revenue from sales of buses, wheel sets, replacement parts and lesser refurbishments is recognised when control of the asset is transferred to the customer and the entity satisfies a performance obligation deemed to be the point in time when the bus is delivered.

In certain bus contracts there are repurchase options (buybacks) in which a case-by-case analysis is performed to determine whether control has been transferred to the customer. The transfer criterion in these cases is based on whether or not the customer has a significant economic incentive to exercise that

right. If it is considered that the customer has a significant economic incentive to exercise that right, the entity shall account for the revenue as an operating lease over the term of the transaction until the date of the repurchase option (Notes 3-l and 21).

The main factor taken into consideration in order to conclude as to whether there is an economic incentive for the client is the relationship of the repurchase price to the expected market value of the bus at the date of the repurchase.

If it is concluded that the customer does not have a significant economic incentive to exercise its right, the revenue is recognised as if it were the sale of a product with a right of return. In this case, a large proportion of the revenue is recognised when the bus is delivered. Also, a liability for the amount to be returned to the customer and an asset for the right of return are recognised in the consolidated balance sheet. If finally the bus is not returned at the right date, the Group recognises the liability as revenue and the asset as an expense (Note 21).

- *Maintenance contracts*

Maintenance revenue is recognised based on the performance of the service over the term of the contract.

When major repairs take place over specific periods of time, the percentage of completion of the service is postponed and the recognition of a portion of the revenue from the billings received is deferred until the periods when the major repairs take place.

In these cases, this difference is recognised with a charge to "Revenue" in the accompanying consolidated statement of profit or loss and a credit to "Other Non-Current Liabilities" in the accompanying consolidated balance sheet (Note 21).

- *Income from financial assets*

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment is established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the consolidated statement of profit or loss.

#### **g) Consolidated balance sheet balances relating to revenue recognition**

Unlike the method used to recognise contract revenue, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer. The difference between revenue recognised on each project (Note 3-f) and the amount billed for the project is recognised as follows:

- If the difference is positive, "Contract Assets" under "Trade and Other Receivables - Trade Receivables for Sales and Services" (Note 12).
- If the difference is negative, "Contract Liabilities" under "Trade and Other Payables - Other Payables" and "Other non-current assets" (Note 12).

#### **h) Current/Non-current classification**

Items are classified under "Current Assets" and "Current Liabilities" (contract assets, contract liabilities and short-term provisions) which may be realised or settled in more than twelve months, since they form part of the Group's normal cycle as established in the applicable legislation. Considering the items as a whole, the directors' estimates indicate that the current assets will be realised essentially in the short term and, in any event, the current liabilities to be settled in more than twelve months exceed the current assets that would be realised in more than twelve months (Notes 12 and 20).

### ***i) Government grants***

The Group companies recognise government grants received as follows:

- Grants related to assets are recognised at the amount granted, as a reduction of the value of the subsidised asset when they are definitively granted and are credited to profit or loss in proportion to the period depreciation on the assets for which the grants were received.
- Grants related to income are recognised in profit or loss when they are definitively granted.

### ***j) Post-employment benefits***

The consolidated Group companies' legal and contractual obligations to certain of their employees in relation to supplementary retirement and death benefits are met through premiums under defined benefit plans to external funds deposited, or in the process of being externalised, at independent insurance companies. The contributions made in 2020 for various groups of employees amounted to EUR 7,679 thousand (2019: EUR 8,466 thousand). The impact of these obligations on the consolidated statement of profit or loss for 2020 amounted to EUR 5,146 thousand (2019: EUR 3,410 thousand) with a charge to "Staff costs". In 2020 a net actuarial loss of EUR 2,482 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2019: a net actuarial loss of EUR 5,816 thousand).

In accordance with the accrual basis of accounting, at 31 December 2020 the Group recognised a current asset of EUR 280 thousand and a current liability of EUR 721 in the consolidated balance sheet, calculated by an independent valuer, being such amount the difference between the present value of the defined benefit obligations accrued and the fair value of the assets qualifying as plan assets (31 December 2019: current assets of EUR 105 thousand and liability of EUR 597 thousand). The future modifications to the obligations assumed will be recognised in the consolidated profit or loss for the related years (see Notes 15 and 23).

In the assumptions applied in the actuarial study performed by an independent third party, the future obligations were discounted at a market rate, taking into account salary increases similar to those made in the past.

In accordance with the applicable collective agreement, the Parent contributes an additional 2.3% of all its employees to an employee from certain locations benefit entity (EPSV) (see Notes 23, 24 and 25).

Lastly, certain subsidiaries have other obligations to their employees pursuant to the legislation in the countries in which they are located, and the related provisions at 31 December 2020 were recognised under "Long-Term Provisions" and "Short-Term Provisions" for EUR 7,408 thousand and EUR 3,401 thousand, respectively (31 December 2019: EUR 6,319 thousand and EUR 3,953 thousand, respectively) (Note 20).

### ***k) Income tax***

The expense for income tax and other similar taxes applicable to the foreign consolidated entities are recognised in the consolidated statement of profit or loss, except when it results from a transaction the result of which is recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax liabilities are recognised for all taxable temporary differences, unless, in general, the temporary difference arises from the initial recognition of goodwill. Also, deferred tax assets are recognised for tax loss and tax credit carryforwards and temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised, which at the consolidated CAF Group are deemed to be those that will be earned in the period covered by its backlog.

Pursuant to IFRSs, deferred tax assets and deferred tax liabilities are classified as non-current assets and liabilities.

## **l) Leases**

### **• The Group as lessee**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The Group recognises a right-of-use asset and its corresponding liability for all leases, except for short-term or low-value asset leases. In such cases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is recognised initially at the present value of the outstanding lease payments at the date of initial measurement, discounted using the Group's incremental borrowing rate.

The lease payments included in the calculation are as follows:

- Fixed lease payments.
- Amounts expected to be payable under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing its carrying amount to reflect the interest on the liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

The Group remeasures its lease liability (and makes the corresponding adjustment to the right-of-use asset) when:

- There is a change in the lease term or the assessment of an option to purchase the underlying asset, in which case the lease liability is remeasured using a revised discount rate.
- There is a change in future lease payments resulting from a change in an index or a change in the residual value, in which case the lease liability is recalculated using an unchanged discount rate.
- A lease is modified and is not considered to be a separate lease, in which case the lease liability is remeasured using the new lease term and a revised discount rate.

The right-of-use asset consists of: the amount of the initial measurement of the lease liability; any lease payments made before the commencement date, less any lease incentives received; and any initial costs. This asset is subsequently measured at cost less any accumulated depreciation and impairment.

Right-of-use assets are depreciated over the term of the lease. If the asset reflects the value of the purchase option, the depreciation period will be the useful life of the leased asset. Depreciation begins at the commencement date of the lease.

### **• The Group as lessor**

The Group acts as lessor in certain bus contracts (see Note 3-f). Leases in which the contract establishes that the risks and rewards of ownership are transferred to the lessee are classified as finance leases, and all others are classified as operating leases.

Operating lease income is recognised on a straight-line basis over the lease term. The initial direct costs incurred in negotiating and entering into the operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## **m) Administrative concessions**

Concessions represent arrangements between a public sector grantor and CAF Group companies to provide public services such as preventative, corrective and inspection services for various railway lines through the operation of infrastructure. Revenue from providing the service may be received directly from the users or, sometimes, through the concession grantor itself, which regulates the prices for providing the service.

The concession right generally means that the concession operator has an exclusive right to provide the service under the concession for a given period of time, after which the infrastructure assigned to the concession and required to provide the service is returned to the concession grantor, generally for no

consideration. The concession arrangement must provide for the management or operation of the infrastructure. Another common feature is the existence of obligations to acquire or construct all the items required to provide the concession service over the concession term.

These concession arrangements are accounted for in accordance with IFRIC 12, "Service Concession Arrangements". In general, a distinction must be drawn between two clearly different phases: the first in which the operator provides construction or upgrade services which are recognised as intangible or financial assets by reference to the stage of completion pursuant to IFRS 15 "Revenue from Contracts with Customers", and a second phase in which the operator provides a series of maintenance or operation services for the aforementioned infrastructure, which are recognised in accordance with the same standard.

An intangible asset is recognised when the demand risk is borne by the operator and a financial asset is recognised when the demand risk is borne by the grantor, since the operator has an unconditional contractual right to receive cash for the construction or upgrade services. Finance income arising from measurement of the financial asset of concessions at amortised cost is recognised under "Revenue" in the consolidated statement of profit or loss. Since they meet the required conditions, the concessions recognised by the Group (Note 9) are classified as financial assets.

#### **4. Distribution of the profit of the Parent**

The proposed distribution of the profit for 2020 that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

<b>Distribution</b>	<b>Thousands of euros</b>
<b>Distributable profit</b> Profit for the year	(49,137)
<b>Distribution</b> Voluntary reserves	(49,137)

#### **5. Financial risk management**

The CAF Group is exposed to various risks inherent to the activities it carries on and to the various countries and markets in which it operates, which may prevent it from meeting its objectives.

These risks include financial risks: market risk (including exchange rate risk, interest rate risk and commodity price risk), credit risk and liquidity and financing risk.

The financial risk management policy adopted by the CAF Group focuses on managing the uncertainty of financial markets and aims to minimise the potential adverse effects on the achievement of the Group's objectives.

The Group's Financial Department identifies, analyses, assesses and defines the treatment, and performs the monitoring and control, of the financial risks in accordance with the General Risk Management and Control Policy and the specific policies for the management of financial risk established by the Board of Directors.

##### ***a) Market risk***

The CAF Group manages market risk in accordance with the principles set out in the Market Risks Policy.

##### ***a.1) Cash flow and fair value interest rate risk***

The interest rate risk arises from the possibility that changes may occur in the value of the Group's financial assets and liabilities as a result of changes in market interest rates. In accordance with the policy, financing transactions are performed under appropriate cost, term and risk terms and conditions, considering at all times optimal use of the various instruments and sources of financing. Specifically, the Group sets an objective, to the extent permitted by the markets, of maintaining a borrowing structure balanced between fixed and floating interest rates (usually Euribor) the goal of which is to maintain an adequate balance between the cost of financing and the risk of changes in interest rates.

In this regard, a significant portion of the financial debt at 31 December 2020 related, on the one hand, to the concessions obtained in Brazil and Mexico (Notes 9 and 16), and, on the other, to the Parent's debt for the financing of its activity and that of the other Group companies.

The exposure to interest rate risk of the Group's borrowings at 31 December 2020 and 2019 is as follows (see Notes 16 and 17):

	Principal Indices	Millions Euros							
		31.12.20				31.12.19			
		Variable	Permanent		Total	Variable	Permanent		Total
			With insurance contract	Without insurance contract			With insurance contract	Without insurance contract	
Ctrens – BNDES	TJLP	84.3	-	-	84.3	123.0	-	-	123.0
Provetren – Bank union	LIBOR	9.0	48.0	-	57.0	11.4	66.9	-	78.3
The Parent (CAF, S.A.)	EURIBOR	267.0	25.0	348.1	640.1	218.0	25.0	432.3	675.3
CAF Investment Projects, S.A.U.	EURIBOR	19.9	-	-	19.9	19.9	-	-	19.9
Solaris Group	EURIBOR+ WIBOR	164.3	-	-	164.3	168.2	-	-	168.2
Rest of Group's companies		12.0	-	-	12.0	0.9	-	-	0.9
<b>Total</b>		<b>556.5</b>	<b>73.0</b>	<b>348.1</b>	<b>977.6</b>	<b>541.4</b>	<b>91.9</b>	<b>432.3</b>	<b>1,065.6</b>

Taking into consideration the balance at 31 December 2020 and 2019, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher or lower, with all other variables remaining constant, and considering the hedging policies described above, the finance costs arising from the financial debt would have risen by approximately EUR 5,565 thousand and EUR 5,414 thousand, respectively.

#### a.2) Foreign currency risk

The various CAF Group companies operate on an international stage and, therefore, are exposed to foreign currency risk in their foreign currency transactions (currently the US dollar, the Brazilian real, the pound sterling, the Polish zloty, the Swedish krona, the Australian dollar, the Saudi riyal, the Mexican peso, the Japanese yen, the Colombian peso, the New Zealand dollar, Israeli shekel, Turkish lira, Canadian dollars, Hong Kong dollars and the Hungarian florin, among others).

The foreign currency risk to which the Group is exposed as a result of its operations in the international sphere is managed in accordance with the Market Risks Policy, which envisages various strategies aimed at reducing that risk, such as, for example, the arrangement of financial or natural hedges, ongoing monitoring of exchange rate fluctuations and other complementary measures.

In line with the principles of this policy, as a general rule the Group transfers to third parties, provided that the cost is reasonable, the foreign currency risk associated with its contracts denominated in currencies other than the functional currency. The hedges are intended to avoid the impact of currency fluctuations on the various contracts entered into, so that the Group's results present fairly its industrial and services activity.

The impact on the consolidated statements of profit or loss for 2020 and 2019 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (see Note 17), would be as follows:

Currency	Gain/(Loss) in thousands of euros	
	2020	2019
Brazilian real	(2,348)	(5,554)
Pound sterling	(349)	4,400
Mexican peso	(1,942)	(3,342)
Polish zloty	4,494	6,381
New Taiwan dollar	(3,667)	(3,834)

The exchange rate fluctuation corresponding to the Polish zloty would have an opposite sign effect on the net investment in a foreign operation denominated in this coin. The sensitivity of the consolidated statement of profit or loss to the other foreign currencies was not material.

At 31 December 2020 and 2019, the Group was exposed to the foreign currency risk on the net investment in those subsidiaries whose functional currency is not the euro, except in the case of the US dollar, the exposure to which is partially hedged.

The detail of the equivalent value in thousands of euros of the assets and liabilities of the subsidiaries with functional currencies other than the euro at 31 December 2020 and 2019 is as follows:

Currency	Equivalent value in thousands of euros					
	31/12/20			31/12/19		
	Assets	Liabilities	Net exposure	Assets	Liabilities	Net exposure
Chilean peso	17,686	15,730	1,956	16,502	13,536	2,966
Mexican peso	163,138	143,711	19,427	248,779	226,582	22,197
Brazilian real	305,672	174,303	131,369	430,845	262,100	168,745
US dollar (Note 3-d) (*)	427,916	209,076	44,676	535,861	288,320	49,843
Pound sterling	146,154	93,249	52,905	131,930	75,939	55,991
Algerian dinar	3,019	940	2,079	5,868	3,179	2,689
Turkish lira	2,888	1,357	1,531	3,691	1,856	1,835
Indian rupee	8,166	544	7,622	9,115	689	8,426
Australian dollar	54,298	53,284	1,014	21,375	20,738	637
Saudi riyal	31,240	22,441	8,799	18,976	13,858	5,118
New Zealand dollar	11,209	8,238	2,971	10,792	8,381	2,411
New Taiwan dollar	11,366	5,364	6,002	12,641	6,518	6,123
Mauritian rupee	4,555	3,469	1,086	4,240	4,015	225
Polish zloty	720,919	480,257	240,662	727,233	491,445	235,788
Swiss franc	9,215	5,510	3,705	10,116	6,952	3,164
Norwegian krone	6,165	8,681	(2,516)	7,016	9,656	(2,640)
Swedish krona	215,182	164,241	50,941	215,929	163,282	52,647
Others	24,359	21,880	2,479	3,061	1,814	1,247
<b>Total</b>	<b>2,163,147</b>	<b>1,412,275</b>	<b>576,708</b>	<b>2,413,970</b>	<b>1,598,860</b>	<b>617,412</b>

(\*) At 31 December 2020, there were hedges of net investments in foreign operations (Note 17) amounting to EUR 174,164 thousand, applying the year-end exchange rate (31 December 2019: EUR 197,698 thousand).

In the event of a 10% appreciation or depreciation of all the foreign currencies, the pre-tax impact on the Group's equity would amount to EUR 57,671 thousand at 31 December 2020 (31 December 2019: EUR 61,741 thousand).



The detail of the main foreign currency balances of subsidiaries according to the nature of the items comprising them is as follows:

Nature of the balances	Equivalent value in thousands of euros			
	31/12/20		31/12/19	
	Assets	Liabilities	Assets	Liabilities
Goodwill	103,339	-	108,804	-
Other intangible assets	151,255	-	165,940	-
Property, plant and equipment	203,970	-	233,290	-
Non-current financial assets and deferred tax assets	450,562	-	551,017	-
Other non-current assets	6,592	-	7,208	-
Inventories	399,535	-	384,954	-
Trade and other receivables	612,590	-	711,857	-
Other current financial assets	92,363	-	88,966	-
Cash and cash equivalents	142,941	-	161,934	-
Non-current liabilities	-	533,239	-	639,069
Current liabilities	-	879,036	-	959,791
<b>Total</b>	<b>2,163,147</b>	<b>1,412,275</b>	<b>2,413,970</b>	<b>1,598,860</b>

### *a.3) Commodity price risk*

For the most significant commodities, the Group's orders are placed and prices closed when each new project commences. The risk of a rise in commodity prices having an adverse effect on the contractual margins is thus hedged.

### **b) Credit risk**

Most of the Group's accounts receivable and work in progress relate to various customers in different countries. Contracts generally include progress billings.

The Group's standard practice is to hedge against certain risks of termination or default associated with export contracts by taking out export credit insurance policies, pursuant to the rules in the OECD Consensus concerning instruments of this nature. The decision on whether or not to hedge is taken on the basis of the type of customer and the country in which it operates.

At 31 December 2020 and 2019, the Group had insured a portion of its accounts receivable from customers in certain countries abroad, taking into account the risk of each of them, through credit insurance policies (Note 12).

### **c) Liquidity and financing risk**

As determines the Liquidity and Financing Policy, prudent liquidity and financing risk management entails maintaining sufficient cash, marketable securities and available funds to cover all the Group's financial obligations fully and effectively (Notes 14-i and 16).

The CAF Group manages liquidity and financing risk using the following mechanisms:

- Seeking and selecting business opportunities with the highest possible level of self-financing, within existing market conditions, for each of the contracts. In vehicle manufacturing projects of an average term of approximately three years, the milestones for billing and executing the work may not be in the same timeframe, which results in financial resources being consumed.
- Implementing and maintaining an active working capital management policy through ongoing monitoring of compliance with billing milestones for each project commissioned.
- Maintaining a strong short-term liquidity position.
- Maintaining surplus undrawn credit balances.

The CAF Group adopted additional measures to strengthen its financing capacity due to the effect of COVID-19 (see Notes 2-h and 16).

#### **d) Brexit: impact on financial risks**

The emergence of Brexit in June 2016 gave rise to the need to conduct an analysis of its consequences and its impact on various lines of business. 2020 was the Brexit transition period, in which the framework of the new relationship between the UK and the European Union was negotiated.

On 24 December 2020, the European Union and the UK reached a Trade and Cooperation Agreement, with effect from 1 January 2021. This agreement will allow the Group to continue operating normally in the businesses that the Group has in the UK and, therefore, it has not had a significant impact on these consolidated financial statements.

### **6. Segment reporting**

#### **a) Basis of segmentation**

Segment reporting on the CAF Group in the accompanying consolidated financial statements is structured as follows:

- By business unit, distinguishing between the "Rolling Stock" and the "Buses" operating activities.
- Information based on the Group's geographical location and products and services group is also included.

#### **b) Basis and methodology for segment reporting**

Segment revenue and expenses relate to those directly attributable to the segment and, accordingly, do not include interest, dividends or gains or losses arising from the disposal of investments or on debt redemption or repayment transactions. Segment assets and liabilities are those directly related to the segment's operating activities or to the ownership interests in companies engaged in that activity.

In accordance with the basis for primary segment reporting set forth in IFRSs (IFRS 8 "Operating Segments"), the CAF Group considered the two business units operated by it as its primary segments, since it considers that its organisational and management structure and its system of internal reporting to its managing and executive bodies are such that the risks and returns are affected predominantly by the fact that its operations are performed in one or the other business area, taken to be all of the related products and services. Accordingly, the segmentation is made up of the CAF Group's identifiable components that are subject to risks and returns that are different from those of components operating in other economic environments.

Therefore, the Group defined the following segments, which it considers fulfill the internal consistency requirements with regard to the similarity of their economic conditions, policies or the risks arising from the applicable regulations, exchange rates or proximity of activities and are differentiated with respect to the other segments for the same reasons:

- Rolling stock
- Buses

Segment information about the businesses is as follows:

Segmentation by business unit	2020 (Thousands of euros)				
	Rolling stock	Buses	General	Inter-segment	Total
External sales	2,037,174	725,298	-	-	2,762,472
Inter-segment sales	1,971	-	-	(1,971)	-
<b>Total sales</b>	<b>2,039,145</b>	<b>725,298</b>	<b>-</b>	<b>(1,971)</b>	<b>2,762,472</b>
<b>EBITDA</b>	<b>134,247</b>	<b>67,243</b>	<b>-</b>	<b>-</b>	<b>201,490</b>
Depreciation and amortisation charge (Notes 7 and 8)	(65,517)	(23,977)	-	-	(84,494)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	11,089	(2,190)	-	-	8,899
<b>EBIT</b>	<b>79,819</b>	<b>41,076</b>	<b>-</b>	<b>-</b>	<b>120,895</b>
Financial loss	(40,908)	(10,439)	(16,292)	-	(67,639)
Share of net results of associates	(3,881)	(298)	-	-	(4,179)
<b>Profit (Loss) before tax</b>	<b>35,030</b>	<b>30,339</b>	<b>(16,292)</b>	<b>-</b>	<b>49,077</b>
Income tax					(38,824)
<b>Profit (Loss) for the year from continuing operations</b>					<b>10,253</b>
Profit (Loss) attributable to non-controlling interests					1,241
<b>Profit (Loss) attributable to the Parent</b>					<b>9,012</b>
<b>ASSETS</b>	<b>2,719,392</b>	<b>752,572</b>	<b>607,187</b>	<b>-</b>	<b>4,079,151</b>
<b>LIABILITIES</b>	<b>2,157,003</b>	<b>495,743</b>	<b>781,909</b>	<b>293</b>	<b>3,434,948</b>
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	38,266	18,762	-	-	57,028

Segmentation by business unit	2019 (Thousands of euros)				
	Rolling stock	Buses	General	Inter-segment	Total
External sales	1,947,550	650,105	-	-	2,597,655
Inter-segment sales	3,433	-	-	(3,433)	-
<b>Total sales</b>	<b>1,950,983</b>	<b>650,105</b>	<b>-</b>	<b>(3,433)</b>	<b>2,597,655</b>
<b>EBITDA</b>	<b>204,193</b>	<b>39,505</b>	<b>-</b>	<b>-</b>	<b>243,698</b>
Depreciation and amortisation charge (Notes 7 and 8)	(54,991)	(25,676)	-	-	(80,667)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	(51)	(114)	-	-	(165)
<b>Adjusted EBIT</b>	<b>149,151</b>	<b>13,715</b>	<b>-</b>	<b>-</b>	<b>162,866</b>
Non-recurring items (Note 26)	(37,872)	-	-	-	(37,872)
<b>EBIT</b>	<b>111,279</b>	<b>13,715</b>	<b>-</b>	<b>-</b>	<b>124,994</b>
Financial loss	(32,739)	(12,100)	(17,068)	-	(61,907)
Share of net results of associates	(1,921)	(28)	-	-	(1,949)
<b>Profit (Loss) before tax</b>	<b>76,619</b>	<b>1,587</b>	<b>(17,068)</b>	<b>-</b>	<b>61,138</b>
Income tax					(36,048)
<b>Profit (Loss) for the year from continuing operations</b>					<b>25,090</b>
Profit (Loss) attributable to non-controlling interests					345
<b>Profit (Loss) attributable to the Parent</b>					<b>24,745</b>
<b>ASSETS</b>	<b>3,035,005</b>	<b>740,167</b>	<b>547,645</b>	<b>9</b>	<b>4,322,826</b>
<b>LIABILITIES</b>	<b>2,216,639</b>	<b>494,649</b>	<b>865,471</b>	<b>700</b>	<b>3,577,459</b>
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	69,343	10,194	-	-	79,537

Assets and liabilities for general use and the results generated by them, of which the Parent's net financial debt and the deferred and current tax assets and liabilities are noteworthy, were not allocated to the other segments. Similarly, the reconciling items arising from the comparison of the result of integrating the financial statements of the various business segments (prepared using management criteria) with the CAF Group's consolidated financial statements were not allocated.

The breakdown of sales, by product group and type of service provided, is as follows (in thousands of euros):

	2020	2019
High-speed, Regional and commuter	549,142	561,648
Metros	221,023	202,760
Tram and light rail	438,484	408,131
Bogies and other	13,338	28,549
<b>Trains</b>	<b>1,221,987</b>	<b>1,201,088</b>
<b>Services</b>	<b>516,416</b>	<b>454,939</b>
<b>Buses</b>	<b>725,298</b>	<b>650,105</b>
<b>Integral Systems, Equipment and Others (*)</b>	<b>298,771</b>	<b>291,523</b>
<b>Total</b>	<b>2,762,472</b>	<b>2,597,655</b>

(\*) Mainly civil construction, signalling and engineering contract revenue.

The information based on geographical location is as follows:

1. The breakdown of sales by geographical area at 31 December 2020 and 2019, including the most significant countries (those accounting for more than 5% of total sales), is as follows (in thousands of euros):

	2020	2019
Spain	274,698	285,628
The Netherlands	324,887	242,327
Germany	219,549	183,603
Italy	206,784	85,234
Poland	182,231	165,155
Belgium	142,670	144,017
Sweden	197,668	139,490
Other European Union	278,796	231,654
<b>European Union</b>	<b>1,827,283</b>	<b>1,447,108</b>
United Kingdom	292,130	358,755
Australia	164,888	75,980
Other	478,171	685,812
<b>Rest of the world</b>	<b>935,189</b>	<b>1,120,547</b>
<b>TOTAL</b>	<b>2,762,472</b>	<b>2,597,655</b>

In 2020 and 2019 no customers have represented 10% of the Group's revenue.

2. The breakdown of net investments in property, plant and equipment by geographical area at 31 December 2020 and 2019 is as follows (in thousands of euros):

Geographical area	2020	2019
Spain	187,105	203,670
Poland (*)	90,068	100,122
Rest of the world	126,444	145,471
<b>Total</b>	<b>403,617</b>	<b>449,263</b>

(\*) Including buses leased under the operating lease model not in operation in that country.

## 7. Intangible assets

### a) Goodwill

The changes in goodwill the years ended 31 December 2020 and 2019 were as follows:

#### 2020

	Thousands of euros				
	Balance at 31/12/19	Changes in the scope in consolidation (Note 2-f)	Impairment	Translation differences	Balance at 31/12/20
BWB Holdings Limited	5,693	-	-	(445)	5,248
Solaris	93,351	-	-	(6,199)	87,152
EuroMaint	9,760	-	-	408	10,168
Other	207	756	(192)	-	771
<b>Total</b>	<b>109,011</b>	<b>756</b>	<b>(192)</b>	<b>(6,236)</b>	<b>103,339</b>

#### 2019

	Thousands of euros						
	Balance at 31/12/18	Adjustments to preliminary goodwill - Transfers (Note 2-f)	Adjusted balance at 01/01/19	Changes in the scope of consolidation (Note 2-f)	Impairment	Translation differences	Balance at 31/12/19
BWB Holdings Limited	8,038	-	8,038	-	(2,680)	335	5,693
Solaris	93,582	(1,186)	92,396	-	-	955	93,351
EuroMaint	-	-	-	9,736	-	24	9,760
Other	207	-	207	-	-	-	207
<b>Total</b>	<b>101,827</b>	<b>(1,186)</b>	<b>100,641</b>	<b>9,736</b>	<b>(2,680)</b>	<b>1,314</b>	<b>109,011</b>

In 2020 the recoverability of the goodwill of Solaris, BWB Holdings Limited and Euromaint was tested. The main parameters used in the recoverability test were as follows:

	Solaris	BWB Holdings Limited	Euromaint
Carrying amount at 01/01/20 (thousands of euros)	93,351	5,693	9,760
Value considered representative to determine the recoverable amount	Value in use	Value in use	Value in use
Estimated number of years covered by cash flow projections	6	5	8
Long-term growth rate used	1.5%	2%	2%
Discount rate used (*)	9.0%	9.4%	8.1%

(\*) Discount rate after tax.

The projections are prepared for each cash-generating unit on the basis of past experience and of the best estimates available, which are consistent with the Company's business plans. The main components are:

- Earnings projections
- Investment and working capital projections

Following is a sensitivity analysis of the main assumptions used in the model:

Amounts in thousands of euros	Solaris		BWB Holdings Limited		Euromaint	
	-100 p.b.	+100 p.b.	-100 p.b.	+100 p.b.	-100 p.b.	+100 p.b.
Growth rate:	-32,940	+42,944	-1,659	+ 2,175	-8,767	+12,182
Discount rate:	+74,694	-57,302	+ 3,352	- 2,538	+22,837	-16,418

In 2019, the estimated value of the companies exceeds their carrying amount in the three cases, including in the worst case sensitivity analysis shown above, and, accordingly, no need was identified to recognise additional write-downs in the consolidated financial statements for 2020.

In 2019, EUR 2,680 thousand of goodwill of BWB Holdings Limited was written off with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss.

#### **b) Other intangible assets**

The changes in the year ended 31 December 2020 in "Other Intangible Assets" and in the related accumulated amortisation were as follows:

	Thousands of euros				
	Commercial relationships and customer portfolio	Patents, licenses and trademarks	Development expenditure	Computer software and other	Total
<b>Cost at 31/12/19</b>	<b>45,625</b>	<b>114,262</b>	<b>193,161</b>	<b>54,330</b>	<b>407,378</b>
Changes in the scope of consolidation	414	1,672	-	-	2,086
Additions or charge for the year	-	-	11,034	9,286	20,320
Transfers	-	-	143	(131)	12
Disposals or reductions	-	-	(17,155)	(309)	(17,464)
Translation differences	(589)	(7,566)	(1,253)	(603)	(10,011)
<b>Cost at 31/12/20</b>	<b>45,450</b>	<b>108,368</b>	<b>185,930</b>	<b>62,573</b>	<b>402,321</b>
<b>Accumulated amortisation at 31/12/19</b>	<b>(5,331)</b>	<b>(7,589)</b>	<b>(102,872)</b>	<b>(26,384)</b>	<b>(142,176)</b>
Additions or charge for the year	(2,630)	(5,483)	(16,734)	(6,189)	(31,036)
Transfers	-	-	-	(2)	(2)
Disposals or reductions	-	-	6,958	324	7,282
Translation differences	208	615	283	325	1,431
<b>Accumulated amortisation at 31/12/20</b>	<b>(7,753)</b>	<b>(12,457)</b>	<b>(112,365)</b>	<b>(31,926)</b>	<b>(164,501)</b>
<b>Impairment at 31/12/19</b>	-	-	<b>(25,932)</b>	<b>(29)</b>	<b>(25,961)</b>
Recognised in 2020	-	-	(537)	-	(537)
Transfers in 2020	-	-	-	-	-
Disposals or reductions	-	-	9,311	9	9,320
Translation differences	-	-	12	-	12
<b>Impairment at 31/12/20</b>	-	-	<b>(17,146)</b>	<b>(20)</b>	<b>(17,166)</b>
<b>Net balance at 31/12/20</b>	<b>37,697</b>	<b>95,911</b>	<b>56,419</b>	<b>30,627</b>	<b>220,654</b>

The changes in the year ended 31 December 2019 in "Other Intangible Assets" and in the related accumulated amortisation were as follows:

	Thousands of euros				
	Commercial relationships and customer portfolio	Patents, licenses and trademarks	Development expenditure	Computer software and other	Total
<b>Cost at 31/12/18</b>	<b>26,356</b>	<b>113,042</b>	<b>170,549</b>	<b>36,861</b>	<b>346,808</b>
Changes in the scope of consolidation	18,466	-	308	5,144	23,918
Additions or charge for the year	-	-	20,242	10,975	31,217
Transfers	-	-	2,210	1,145	3,355
Transfers to inventories	-	-	(344)	-	(344)
Disposals or reductions	-	-	(1)	(24)	(25)
Translation differences	803	1,220	197	229	2,449
<b>Cost at 31/12/19</b>	<b>45,625</b>	<b>114,262</b>	<b>193,161</b>	<b>54,330</b>	<b>407,378</b>
<b>Accumulated amortisation at 31/12/18</b>	<b>(2,642)</b>	<b>(1,926)</b>	<b>(89,244)</b>	<b>(20,516)</b>	<b>(114,328)</b>
Additions or charge for the year	(2,569)	(5,589)	(13,682)	(4,678)	(26,518)
Transfers	-	-	90	(1,145)	(1,055)
Disposals or reductions	-	-	-	10	10
Translation differences	(120)	(74)	(36)	(55)	(285)
<b>Accumulated amortisation at 31/12/19</b>	<b>(5,331)</b>	<b>(7,589)</b>	<b>(102,872)</b>	<b>(26,384)</b>	<b>(142,176)</b>
<b>Impairment at 31/12/18</b>	<b>-</b>	<b>-</b>	<b>(25,932)</b>	<b>(13)</b>	<b>(25,945)</b>
Recognised in 2019	-	-	-	(16)	(16)
Transfers in 2019	-	-	-	-	-
<b>Impairment at 31/12/19</b>	<b>-</b>	<b>-</b>	<b>(25,932)</b>	<b>(29)</b>	<b>(25,961)</b>
<b>Net balance at 31/12/19</b>	<b>40,294</b>	<b>106,673</b>	<b>64,357</b>	<b>27,917</b>	<b>239,241</b>

The research and development expenditure incurred in 2020 amounted to EUR 25,823 thousand (EUR 14,789 thousand were recognised in the consolidated statement of profit or loss and EUR 11,034 thousand were capitalised). The research and development expenditure incurred in 2019 amounted to EUR 36,501 thousand (EUR 16,259 thousand were recognised in the consolidated statement of profit or loss and EUR 20,242 thousand were capitalised) These amounts do not include basic engineering costs associated with contracts. In 2020 Vectia Mobility Research & Development, A.I.E. was liquidated and all its development projects, which had been written off in previous years, were derecognised.

The additions to "Development Expenditure" in 2020 correspond to the costs incurred in the development of new products, including most notably the development of highly automated signalling systems, hydrogen technologies as an alternative to diesel propulsion; virtual validation environments aimed at reducing costs and deadlines in the commissioning of vehicles, the development of the onboard registration of the digital train and the development of a TCMS platform for the implementation of critical security functions.

With regard to "Computer Software", in 2019 the Group began to implement a new ERP, with most additions in the years 2020 and 2019 relating to this project. At 31 December 2020, the Group had investment obligations of EUR 29,396 thousand (31 December 2019: EUR 16,200 thousand), mainly in relation to the new IT system which is expected to be put into operation in 2023.

In 2020 the assets related to the coupler division, mainly intellectual property, were sold. The value of this sale amounted to EUR 15,000 thousand, giving rise to a gain of EUR 11,663 thousand that was recognised with a credit to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss.

## 8. Property, plant and equipment and right-of-use assets

The detail of "Property, Plant and Equipment" is as follows (in thousands of euros):

	31/12/20	31/12/19
Property, plant and equipment	348,530	382,136
Right-of-use assets	55,087	67,127
<b>Total</b>	<b>403,617</b>	<b>449,263</b>

### a) Property, plant and equipment

The changes in the year ended 31 December 2020 in "Property, Plant and Equipment" and in the related accumulated depreciation were as follows:

	Thousands of euros						
	Land and buildings	Plant and machinery	Transport equipment (leasing) (Nota 3.I)	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
<b>Cost at 31/12/19</b>	<b>362,403</b>	<b>335,771</b>	<b>40,420</b>	<b>37,731</b>	<b>44,093</b>	<b>9,356</b>	<b>829,774</b>
Changes in the scope of consolidation (Note 2-f)	67	132	-	36	11	-	246
Additions	752	4,755	-	6,659	1,476	9,545	23,187
Transfers	6,292	1,482	-	2,170	903	(11,485)	(638)
Disposals or reductions	(35)	(5,697)	(5,126)	(3,007)	(1,252)	(3)	(15,120)
Translation differences	(14,125)	(6,063)	(2,574)	(545)	(675)	(343)	(24,325)
<b>Cost at 31/12/20</b>	<b>355,354</b>	<b>330,380</b>	<b>32,720</b>	<b>43,044</b>	<b>44,556</b>	<b>7,070</b>	<b>813,124</b>
<b>Accumulated depreciation at 31/12/19</b>	<b>(119,232)</b>	<b>(253,633)</b>	<b>(10,976)</b>	<b>(22,913)</b>	<b>(30,434)</b>	-	<b>(437,188)</b>
Additions	(10,080)	(15,184)	(4,848)	(3,604)	(3,300)	-	(37,016)
Transfers	14	(94)	-	(156)	(1)	-	(237)
Disposals or reductions	32	4,438	2,995	1,977	1,118	-	10,560
Translation differences	3,350	4,805	769	315	319	-	9,558
<b>Accumulated depreciation at 31/12/20</b>	<b>(125,916)</b>	<b>(259,668)</b>	<b>(12,060)</b>	<b>(24,381)</b>	<b>(32,298)</b>	-	<b>(454,323)</b>
<b>Impairment at 31/12/19</b>	<b>(6,205)</b>	<b>(3,035)</b>	-	<b>(695)</b>	<b>(515)</b>	-	<b>(10,450)</b>
Recognised in 2020	-	-	-	(230)	(665)	-	(895)
Transfers	-	547	-	418	-	-	965
Disposals or reductions	-	-	-	5	47	-	109
Translation differences	57	-	-	-	-	-	-
<b>Impairment at 31/12/20</b>	<b>(6,148)</b>	<b>(2,488)</b>	-	<b>(502)</b>	<b>(1,133)</b>	-	<b>(10,271)</b>
<b>Net balance at 31/12/20</b>	<b>223,290</b>	<b>68,224</b>	<b>20,660</b>	<b>18,161</b>	<b>11,125</b>	<b>7,070</b>	<b>348,530</b>



The change in the year ended 31 December 2019 in the various property, plant and equipment accounts and in the related accumulated depreciation were as follows:

	Thousands of euros						
	Land and buildings	Plant and machinery	Transport equipment (leasing) (Nota 3.l)	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
<b>Cost at 31/12/18</b>	<b>352,627</b>	<b>309,737</b>	<b>39,897</b>	<b>34,105</b>	<b>39,523</b>	<b>1,330</b>	<b>777,219</b>
Reclassification of assets for the right to use under IFRS 16	-	(1,896)	-	(1,221)	-	-	(3,117)
<b>Adjusted opening balance at 01/01/19</b>	<b>352,627</b>	<b>307,841</b>	<b>39,897</b>	<b>32,884</b>	<b>39,523</b>	<b>1,330</b>	<b>774,102</b>
Changes in the scope of consolidation (Note 2-f)	-	17,089	-	2,360	290	17	19,756
Additions	6,731	16,797	1,740	2,296	1,918	11,011	40,493
Transfers	323	(3,644)	4,272	635	2,437	(2,972)	1,051
Disposals or reductions	(24)	(2,875)	(5,902)	(597)	(203)	(43)	(9,644)
Translation differences	2,746	563	413	153	128	13	4,016
<b>Cost at 31/12/19</b>	<b>362,403</b>	<b>335,771</b>	<b>40,420</b>	<b>37,731</b>	<b>44,093</b>	<b>9,356</b>	<b>829,774</b>
<b>Accumulated depreciation at 31/12/18</b>	<b>(108,976)</b>	<b>(242,284)</b>	<b>(2,508)</b>	<b>(20,186)</b>	<b>(27,398)</b>	-	<b>(401,352)</b>
Reclassification of assets for the right to use under IFRS 16	-	1,556	-	332	-	-	1,888
<b>Adjusted opening balance at 01/01/19</b>	<b>(108,976)</b>	<b>(240,728)</b>	<b>(2,508)</b>	<b>(19,854)</b>	<b>(27,398)</b>	-	<b>(399,464)</b>
Additions	(9,764)	(14,663)	(6,511)	(3,204)	(3,416)	-	(37,558)
Transfers	(334)	271	(4,272)	(98)	287	-	(4,146)
Disposals or reductions	4	1,577	2,424	281	156	-	4,442
Translation differences	(162)	(90)	(109)	(38)	(63)	-	(462)
<b>Accumulated depreciation at 31/12/19</b>	<b>(119,232)</b>	<b>(253,633)</b>	<b>(10,976)</b>	<b>(22,913)</b>	<b>(30,434)</b>	-	<b>(437,188)</b>
<b>Impairment at 31/12/18</b>	<b>(6,205)</b>	<b>(4,142)</b>	-	<b>(423)</b>	<b>(13)</b>	-	<b>(10,783)</b>
Recognised in 2019	-	-	-	(272)	(155)	-	(427)
Transfers	-	-	-	-	(342)	-	(342)
Disposals or reductions	-	1,107	-	-	-	-	1,107
Translation differences	-	-	-	-	(5)	-	(5)
<b>Impairment at 31/12/19</b>	<b>(6,205)</b>	<b>(3,035)</b>	-	<b>(695)</b>	<b>(515)</b>	-	<b>(10,450)</b>
<b>Net balance at 31/12/19</b>	<b>236,966</b>	<b>79,103</b>	<b>29,444</b>	<b>14,123</b>	<b>13,144</b>	<b>9,356</b>	<b>382,136</b>

In 2020 the most significant investments were aimed at modernising and expanding the production areas related to the manufacture of railway vehicles and buses at the Beasain and Zaragoza plants and the plants in Poland, respectively. Mention must also be made of the electrification and equipping of the test track in Corella (Spain) and the completion of the production building at the Bagnères de Bigorre plant in France. The purpose of the most significant investments made in 2019 was to improve the Group's production capacity, the most notable of these investments being those relating to the new finishing warehouse in France, the investments at the Solaris production plants in Poland to adapt the facilities to the increased bus production and the production improvements at the Mexico plant.

At 2020 year-end and 2019 year-end, "Transport Equipment (Leasing)" included buses leased under operating leases (as indicated in Note 3-f) for a carrying amount of EUR 20,660 thousand (2019: EUR 29,444 thousand). Note 21 to the consolidated financial statements details the deferred income that will be recognised on a straight-line basis until the established repurchase date.

At 31 December 2020, the Group had firm capital expenditure commitments amounting to approximately EUR 2,542 thousand, mainly related to the adaptation of certain facilities and purchase of machinery located mainly in Spain and Poland (31 December 2019: EUR 7,805 thousand mainly in Poland).

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2020 and 2019, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2020, the gross cost of fully depreciated assets in use amounted to approximately EUR 310,476 thousand (31 December 2019: EUR 327,569 thousand).

The losses recognised on property, plant and equipment disposals in 2020 amounted to approximately EUR 190 thousand and were recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss (2019: losses of EUR 300 thousand). In 2020 the Group sold items of property, plant and equipment amounting to EUR 1,273 thousand (2019: EUR 319 thousand).

The Group deducts the amount of any grants received for the acquisition of an asset from the carrying amount of the asset acquired. At 31 December 2020, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,577 thousand (31 December 2019: EUR 2,832 thousand). EUR 200 thousand were allocated to profit or loss in this connection in 2020 (2019: EUR 211 thousand), and this amount was recognised under "Depreciation and Amortisation Charge" in the accompanying consolidated statement of profit or loss.

In 2020 the measurement of all the assets and liabilities of the subsidiary Trenes de Navarra, S.A.U. was reviewed with the assistance of an independent expert and no need to recognised additional write-downs in the consolidated financial statements for 2020 was identified.

The directors consider that there were no indications of impairment of the Group's assets at 31 December 2020 other than those described in this Note.

## b) Right-of-use assets

The detail of and changes in "Right-of-Use Assets" in 2020 were as follows:

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Total
<b>Cost at 31/12/19</b>	<b>51,946</b>	<b>28,498</b>	<b>7,827</b>	<b>1,093</b>	<b>89,364</b>
Changes in the scope of consolidation (Note 2-f)	386	-	-	-	386
Additions	4,785	6,179	2,272	285	13,521
Transfers	-	(131)	(2,004)	-	(2,135)
Disposals or reductions	(2,120)	(8,635)	(826)	(37)	(11,618)
Translation differences	(1,281)	890	(274)	(55)	(720)
<b>Cost at 31/12/20</b>	<b>53,716</b>	<b>26,801</b>	<b>6,995</b>	<b>1,286</b>	<b>88,798</b>
<b>Accumulated depreciation at 31/12/19</b>	<b>(9,593)</b>	<b>(8,529)</b>	<b>(3,681)</b>	<b>(434)</b>	<b>(22,237)</b>
Additions	(9,788)	(8,982)	(2,228)	(444)	(21,442)
Transfers	4	599	2,037	-	2,640
Disposals or reductions	769	5,719	683	21	7,192
Translation differences	346	(319)	79	30	136
<b>Accumulated depreciation at 31/12/20</b>	<b>(18,262)</b>	<b>(11,512)</b>	<b>(3,110)</b>	<b>(827)</b>	<b>(33,711)</b>
<b>Net balance at 31/12/19</b>	<b>42,353</b>	<b>19,969</b>	<b>4,146</b>	<b>659</b>	<b>67,127</b>
<b>Net balance at 31/12/20</b>	<b>35,454</b>	<b>15,289</b>	<b>3,885</b>	<b>459</b>	<b>55,087</b>

The detail of and changes in "Right-of-Use Assets" in 2019 were as follows:

	Thousands of euros				
	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Total
<b>Cost at 31/12/18</b>	-	-	-	-	-
Initial adjustment due to IFRS 16	44,716	3,805	3,049	949	52,519
Reclassification of assets for the right to use under IFRS 16	-	1,896	1,221	-	3,117
<b>Adjusted opening balance at 01/01/19</b>	<b>44,716</b>	<b>5,701</b>	<b>4,270</b>	<b>949</b>	<b>55,636</b>
Changes in the scope of consolidation (Note 2-f)	-	24,091	2,059	-	26,150
Additions	5,922	194	1,574	137	7,827
Transfers	1,061	(529)	48	-	580
Disposals or reductions	(18)	(1,027)	(154)	(5)	(1,204)
Translation differences	265	68	30	12	375
<b>Cost at 31/12/19</b>	<b>51,946</b>	<b>28,498</b>	<b>7,827</b>	<b>1,093</b>	<b>89,364</b>
<b>Accumulated depreciation at 31/12/18</b>	-	-	-	-	-
Reclassification of assets for the right to use under IFRS 16	-	(1,556)	(332)	-	(1,888)
<b>Adjusted opening balance at 01/01/19</b>	-	<b>(1,556)</b>	<b>(332)</b>	-	<b>(1,888)</b>
Changes in the scope of consolidation (Note 2-f)	-	(4,180)	(1,837)	-	(6,017)
Additions	(9,543)	(4,814)	(1,807)	(427)	(16,591)
Transfers	-	1,426	201	-	1,627
Disposals or reductions	4	615	107	-	726
Translation differences	(54)	(20)	(13)	(7)	(94)
<b>Accumulated depreciation at 31/12/19</b>	<b>(9,593)</b>	<b>(8,529)</b>	<b>(3,681)</b>	<b>(434)</b>	<b>(22,237)</b>
<b>Net balance at 31/12/18</b>	-	-	-	-	-
<b>Net balance at 31/12/19</b>	<b>42,353</b>	<b>19,969</b>	<b>4,146</b>	<b>659</b>	<b>67,127</b>

The Group leases various assets, including land, buildings, transport equipment and machinery. The average lease term is not an indicative figure, since there is a significant dispersion between the term of land and building leases and that of other leased assets. Generally, lease terms were taken to be the minimum non-cancellable lease term, applying a specific rate to each lease.

The Group availed itself of the exemptions available for short-term leases, recognising the accrued expense under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss. The Group has no significant leases with variable lease payments.

In 2020 the main additions relate to the lease of plant and machinery, mainly from Euromaint (see Note 2-f). Also, there were no transactions relating to subleases to non-Group third parties and no sale & leaseback agreements.

In 2020 a loss of EUR 1,038 thousand was recognised with a charge to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss as a result of the derecognition of right-of-use assets.

The total amount of lease-related cash outflows in 2020 was EUR 24,308 thousand (31 December 2019: EUR 15,794 thousand).

*Amounts recognised in profit or loss*

	Thousand of euros	
	2020	2019
Depreciation of the right-of-use assets	21,442	16,591
Interest expense on the financial liability	3,114	3,017
Short-term or low-value asset lease expense	6,427	6,380

## 9. Investments accounted for using the equity method and non-current financial assets

### a) Investments accounted for using the equity method

The changes in the years ended 31 December 2020 and 2019 in "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheet were as follows:

	Thousands of euros	
	31/12/20	31/12/19
<b>Beginning balance</b>	<b>7,807</b>	<b>18,188</b>
Amounts charged to profit or loss	(4,179)	(1,949)
Hedges (Notes 17 and 20)	(1,528)	(7,321)
Additions	-	196
Disposals	(2,704)	(1,362)
Translations differences	(225)	55
<b>Ending balance</b>	<b>(829)</b>	<b>7,807</b>
Registered on the asset	7,370	7,807
Registered in liabilities (Notes 20 and 26)	(8,199)	-

In 2020 the investee Orbital Sistemas Aeroespaciales, S.L. distributed dividends of EUR 190 thousand.

Relevant information on the investments in significant associates accounted for using the equity method is as follows (in thousands of euros):

### 2020

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Sales	Profit (Loss) of the Parent	Other comprehensive income
Plan Metro, S.A. (2)	259,907	8,053	288,184	35,241	(49,099)	-	58,250	4,451	-
Consorcio Traza, S.A. (3)	205,253	19,669	234,612	5,797	(9,654)	(5,833)	20,053	(27,996)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V	52,447	20,302	109,938	21,621	(58,810)	-	23,123	(59,086)	276
Arabia One for Clean Energy Invest. PSC.	16,671	2,598	15,156	328	3,785	-	2,956	315	(332)
Orbital Sistemas Aeroespaciales, S.L.	18,697	3,974	3,603	732	18,336	-	4,875	(947)	-
Momentum Trains Holding Pty Ltd	168,207	4,540	146,032	58,867	(32,152)	-	44,443	5,808	(7,064)
TransJerusalem J-NET Ltd.	34,300	71,303	79,298	26,872	(567)	-	49,417	(566)	(1)

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Plan Metro, S.A. (2)	(49,099)	40	(19,640)	-	-
Consorcio Traza, S.A. (3)	(9,654)	25	(2,414)	-	(4,585)
Ferrocarriles Suburbanos, S.A.P.I. de C.V	(58,810)	43.35	(25,494)	-	-
Arabia One for Clean Energy Investments PSC.	3,785	40	1,514	1,514	126
Orbital Sistemas Aeroespaciales, S.L.	18,336	30	5,501	5,501	(284)
Momentum Trains Holding Pty Ltd	(32,152)	25.50	(8,199)	(8,199)	1,481
TransJerusalem J-NET Ltd.	(567)	50	(284)	(284)	(283)
Otras participaciones (4)	-	-	639	639	(634)
			<b>(48,377)</b>	<b>(829)</b>	<b>(4,179)</b>

(1) After adjustments and unifying entries for consolidation purposes (in thousands of euros).

(2) This company's shares are pledged to certain banks.

(3) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.

(4) Dormant companies or companies with no significant activity.

During 2020 Consorcio Traza, S.A. has recorded significant losses as a result of uncertainties in relation to compliance with the company's financial model owing to the fall in passenger numbers due to COVID-19.

## 2019

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Sales	Profit (Loss) of the Parent	Other comprehensive income
Nuevas Estrategias de Mantenimiento, S.L.	5,238	2,871	653	979	6,477	-	3,516	(2,550)	-
Plan Metro, S.A. (2)	286,343	8,031	314,976	32,948	(53,550)	-	57,202	2,697	-
Consorcio Traza, S.A. (3)	216,220	42,286	231,752	8,559	17,061	1,134	25,309	(2,975)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V	101,122	76,183	122,388	54,917	-	-	47,628	-	-
Arabia One for Clean Energy Invest. PSC.	19,327	2,468	17,091	902	3,802	-	3,098	43	71
Orbital Sistemas Aeroespaciales, S.L.	19,420	4,201	3,449	525	19,647	-	4,950	1,330	-
Momentum Trains Holding Pty Ltd	105,252	1,375	104,650	32,873	(30,896)	-	95,027	(919)	(29,967)

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Nuevas Estrategias de Mantenimiento, S.L.	6,477	50	3,238	3,238	(1,275)
Plan Metro, S.A. (2)	(53,550)	40	(21,420)	-	-
Consorcio Traza, S.A. (3)	17,061	25	4,265	4,265	(744)
Ferrocarriles Suburbanos, S.A.P.I. de C.V	-	43.35	-	-	-
Arabia One for Clean Energy Investments PSC.	3,802	40	1,521	1,521	17
Orbital Sistemas Aeroespaciales, S.L.	19,647	30	5,894	5,894	399
Momentum Trains Holding Pty Ltd	(30,896)	25.50	(7,878)	(7,878)	(234)
Otras participaciones (4)	-	-	767	767	(112)
			<b>(13,613)</b>	<b>7,807</b>	<b>(1,949)</b>

- (1) After adjustments and unifying entries for consolidation purposes (in thousands of euros).
- (2) This company's shares are pledged to certain banks.
- (3) Consorcio Traza, S.A. holds an 80% ownership interest in S.E.M. Los Tranvías de Zaragoza, S.A.
- (4) Dormant companies or companies with no significant activity.

In consolidating the ownership interests, the Group took the necessary fair value adjustments into account and eliminated the sales margins on rolling stock material in proportion to its ownership interest. Since the CAF Group has not incurred any legal or explicit obligations or made payments on behalf of the associates it is not necessary to consolidate the additional losses incurred by these associates valued at zero. At 31 December 2020, the unrecognised losses exceeding the cost of the investment amounted to EUR 39,715 thousand (31 December 2019: EUR 13,011 thousand).

In 2019 the Group entered into the shareholder structure of Momentum Trains Holding Pty Ltd with an ownership interest of 25.50%. The shareholders agreement provides for the future contribution of AUD 28 million in 2024, in proportion to the Group's stake in the aforementioned associate (see Note 26).

In addition, the Company has a 50% interest in TransJerusalem J-Net Ltd. recently incorporated, and there is a commitment to make a future contribution, as a capital contribution or subordinated loan, to be made in 2027 for approximately EUR 19 million, which is guaranteed by financial institutions (Note 26). Part of this contribution will be made in Israeli sekels and is hedged against the exchange rate exposure at year-end (Note 17).

**b) Non-current financial assets**

The detail of "Non-Current Financial Assets" in the accompanying consolidated balance sheet is as follows:

	Thousands of euros			
	31/12/20		31/12/19	
	% of ownership	Amount	% of ownership	Amount
<b>Equity instruments-</b>				
Alquiler de Trenes, A.I.E	5%	3,150	5%	3,885
Ferromovil 3000, S.L.	10%	11,562	10%	11,152
Plan Azul 07, S.L.	5.20%	3,571	5.20%	3,273
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	5,590	15%	5,012
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	776
Albali Señalización, S.A.	3%	558	3%	561
Other		46		252
<b>Total equity instruments-</b>		<b>25,228</b>		<b>24,911</b>
<b>Other financial assets -</b>				
<b>Amortised cost-</b>				
Guarantees and other financial assets		11,934		16,663
Loans to employees		3,753		3,908
Non-current tax receivables (Note 19)		28,244		41,295
Non-current trade and other receivables		338,104		435,044
Loans to associates (Note 10)		30,605		28,753
		<b>412,640</b>		<b>525,663</b>
<b>Provisions-</b>				
Provision for tax payables (Note 19)		(6,462)		(9,237)
Impairment losses		(2,338)		(3,034)
		<b>(8,800)</b>		<b>(12,271)</b>
<b>Total Other financial assets</b>		<b>403,840</b>		<b>513,392</b>
<b>Total</b>		<b>429,068</b>		<b>538,303</b>

The changes in the non-current financial assets in 2020 and 2019 were as follows:

	Thousands of euros			
	Equity instruments	Other financial assets		
		Amortised cost	Provisions	Total
<b>Balance at 31/12/18</b>	<b>22,834</b>	<b>529,303</b>	<b>(15,076)</b>	<b>537,061</b>
Changes in the scope of consolidation	-	757	-	757
Changes in fair value with a charge to reserves	2,248	-	-	2,248
Translation differences	2	(247)	161	(84)
Additions	-	106,704	-	106,704
Charges to profit or loss for the year	-	-	2,644	2,644
Transfers (Note 3-m)	-	(109,247)	-	(109,247)
Disposals or reductions	(173)	(1,607)	-	(1,780)
<b>Balance at 31/12/19</b>	<b>24,911</b>	<b>525,663</b>	<b>(12,271)</b>	<b>538,303</b>
Changes in the scope of consolidation	-	31	-	31
Changes in fair value with a charge to reserves	535	-	-	535
Translation differences	(2)	(95,021)	3,378	(91,645)
Additions	-	112,522	-	112,522
Charges to profit or loss for the year	-	-	93	93
Transfers (Note 3-n)	-	(119,560)	-	(119,560)
Disposals or reductions	(216)	(10,995)	-	(11,211)
<b>Balance at 31/12/20</b>	<b>25,228</b>	<b>412,640</b>	<b>(8,800)</b>	<b>429,068</b>

### c) Other financial assets

The detail, by maturity, of "Other Financial Assets" is as follows (in thousands of euros):

#### 2020

	2022	2023	2024	2025 and subsequent years	Total
Assets at amortised cost	103,169	108,112	92,097	100,462	403,840
<b>Total</b>	<b>103,169</b>	<b>108,112</b>	<b>92,097</b>	<b>100,462</b>	<b>403,840</b>

#### 2019

	2021	2022	2023	2024 and subsequent years	Total
Assets at amortised cost	138,841	125,665	126,799	122,087	513,392
<b>Total</b>	<b>138,841</b>	<b>125,665</b>	<b>126,799</b>	<b>122,087</b>	<b>513,392</b>

#### Guarantees and other financial assets

These guarantees are related mainly to the borrowings taken by the subsidiary Ctrens Companhia Manutenção, S.A. (Note 16) amounting to EUR 8,496 thousand (31 December 2019: EUR 12,179 thousand). This guarantee, which bears interest at market rates and relates to six monthly repayments of the loan, will be discharged in the last six loan repayments from November 2025 to April 2026.

#### Loans to employees

In accordance with the agreements entered into with employees, the Parent grants various loans earning interest at below market rates and maturing between 10 and 15 years. The Group does not discount these amounts since it considers that this effect is scantily material.

#### Non-current tax receivables

At 31 December 2020, the Group recognised EUR 28,244 thousand under "Non-Current Financial Assets – Other Financial Assets" in connection with VAT equivalent amounts refundable by foreign tax authorities (31 December 2019: EUR 41,295 thousand). This amount decreased by EUR 11,947 thousand in 2020 as a result of translation differences.

The above amounts may be recovered by offsetting them against the output VAT charged to customers or selling them to third parties once they have been claimed from the tax authorities. The Group is currently taking the steps required to claim them and expects to recover them mainly through sale to third parties. At 31 December 2020, the Group had recognised impairment losses of EUR 6,462 thousand (31 December 2019: EUR 9,237 thousand) to adjust the face value of these receivables to their recoverable amount, with a reversal of EUR 89 thousand in 2020 (2019: a reversal of EUR 2,814 thousand) recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated statement of profit or loss. The effect of the translation differences was a reduction in the impairment losses of EUR 2,686 thousand in 2020.

#### Non-current trade and other receivables

The detail of "Non-Current Trade Receivables and Loans" at 31 December 2020 and 2019 is as follows (in thousands of euros):

	31/12/20	31/12/19
Concessions - Financial asset model	313,887	413,057
Other non-current trade receivables and loans	24,217	21,987
<b>Total</b>	<b>338,104</b>	<b>435,044</b>

#### - Concessions – Financial asset

On 19 March 2010, the Group company Ctrens-Companhía de Manutenção, S.A. and Companhia Paulista de Trens Metropolitanos (CPTM) entered into a 20-year concession arrangement for the manufacture of 36 trains and the provision of lease, preventative and corrective maintenance and general overhaul services and services to modernise the trains on Diamante Line 8 in Sao Paulo (Brazil).

The main features of this arrangement, in addition to those indicated above, are as follows:

- The payments are guaranteed by CPTM through monthly bank deposits of BRL 11.6 million made to a bank account (in 2009 real terms, amounting to BRL 20.5 million at 31 December 2020 following an adjustment in line with the Sao Paulo State general inflation rate). This account is managed by a Security Agent and can be used to pay the concession operator in the event of default by CPTM on its payment obligations.
- The concession operator must meet certain minimum capital requirements, in both absolute terms and in terms of a percentage of assets.
- The concession operator secures with a bank guarantee the proper performance of its obligations to CPTM (Note 26-a). At 31 December 2020, this guarantee amounted to BRL 41,959 thousand (EUR 6,583 thousand).
- All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to CPTM at the end of the concession term for no consideration.

On 31 May 2010, the Group company Provetren, S.A. de C.V. and Sistema de Transporte Colectivo (STC) entered into a 15-year concession arrangement for the construction of 30 trains and the provision of lease and integral and general overhaul services for Line 12 of the Mexico City metro.

The main features of this arrangement, in addition to those indicated above, are as follows:

- The consideration payable by STC is secondarily guaranteed by a system of trusts with funds from the Federal Participation Surpluses (Federal District Government payment risk). In 2020 this guarantee comfortably fulfilled STC's payment obligations in the year.
- The concession operator must secure the correct performance of its obligations to STC with a bank guarantee of 10% of the payments expected to be received by it in the current year.
- All the assets associated with the concession, except for the capital goods, acquired, produced or implemented by the concession operator to provide the services under the concession arrangement must be returned to STC at the end of the concession term for no consideration.

These concessions are accounted for in accordance with IFRIC 12 Service Concession Arrangements, since the related requirements are met, and, pursuant to IFRIC 12, the various services provided (construction, operation/maintenance and financing) were separated.

Consequently, at 31 December 2020 the Group recognised balances of EUR 313,887 thousand under "Non-Current Financial Assets – Other financial assets" (31 December 2019: EUR 413,057 thousand) and EUR 89,559 thousand under "Trade and Other Receivables – Other Receivables" (31 December 2019: EUR 112,084 thousand) relating to construction activities and services performed to date, net of billings made. There were no investing activities in this regard in 2020 or 2019.

The lease and maintenance services started to be provided basically in the first half of 2011 in the case of the Line 8 (Brazil) concession and in the second half of 2012 in the case of the Line 12 (Mexico) concession.



In the case of both contracts the future cash flows from the lease payments are determined and guaranteed in full from the date the contracts are signed. The only potentially variable amount in the payments relates solely to any possible penalties relating to the technical performance of the rolling stock material made available to the customers. This matter was taken into consideration when determining the cash flows to be received. There is no demand risk for the CAF Group in these contracts, since the financial flows to be received are unrelated to passenger numbers.

- *Other non-current trade receivables and loans*

In 2020 and 2019, long-term collection schedules were established with customers in the Buses segment, and an amount of EUR 21,544 thousand was recognised in this connection under this heading in the accompanying consolidated balance sheet (31 December 2019: EUR 14,159 thousand). These loans earn interest at market rates and are amortised on a straight-line basis over a period of between two and ten years.

This balance also includes an account receivable amounting to EUR 1,149 thousand at long term (31 December 2019: EUR 2,507 thousand) and EUR 1,498 thousand at short term (31 December 2019: EUR 1,407 thousand) relating to a finance lease of rolling stock for a total amount receivable of EUR 10,570 thousand, under which the Group will receive constant monthly lease payments over a period of 120 months, which began in 2012.

## **10. Balances and transactions with related parties**

The detail of the transactions performed with associates that were not eliminated on consolidation (Note 2-f) is as follows:

Company	Thousands of euros					
	2020			2019		
	Services provided or sales recognised	Services received or purchases recognised	Finance income	Services provided or sales recognised	Services received or purchases recognised	Finance income
Nuevas Estrategias de Mantenimiento, S.L.	-	-	-	19	2,065	-
Plan Metro, S.A.	12,972	-	2,148	13,330	4	1,998
Ferrocarriles Suburbanos, S.A. de C.V.	12,172	19	-	12,660	31	-
Ferrocarril Interurbano, S.A. de C.V.	12,450	-	-	14,024	-	-
Momentum Trains Holding, Pty. Ltd.	107,958	-	-	34,506	-	-
TransJerusalem J-Net Ltd.	20,591	-	-	-	-	-
Great River City Light Rail Pty. Ltd.	53,304	-	-	42,634	-	-
Other	-	150	35	3,356	285	44
<b>Total</b>	<b>219,447</b>	<b>169</b>	<b>2,183</b>	<b>120,529</b>	<b>2,385</b>	<b>2,042</b>

The margins earned on transactions performed with associates were duly eliminated on consolidation in proportion to the percentage of ownership therein (Note 9-a).

As a result of the transactions performed in 2020, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2020 and 2019 were as follows:

Company	Thousands of euros							
	31/12/20				31/12/19			
	Accounts receivable / Short-term loans	Accounts payable	Contract assets and liabilities	Long-term loans (Note 9-b)	Accounts receivable/ Short-term loans	Accounts payable	Contract assets and liabilities	Long-term loans (Note 9-c)
Nuevas Estrategias de Mantenimiento, S.L.	-	-	-	-	54	370	-	-
Plan Metro, S.A (Note 2-f).	-	-	(1,221)	30,006	456	-	(1,238)	27,858
Ferrocarriles Suburbanos, S.A. de C.V.	1,793	23	(224)	-	947	6	(53)	-
Ferrocarril Interurbano, S.A. de C.V.	6,234	27	(20,669)	-	-	-	(31,427)	-
Momentum Trains Holding, Pty. Ltd.	92	1	(38,244)	-	-	1	42,361	-
TransJerusalem J-Net Ltd.	103	-	54,007	-	-	-	-	-
Great River City Light Rail Pty. Ltd.	-	-	(35,508)	-	-	-	2,643	-
Other	8	-	-	599	-	129	-	895
<b>Total</b>	<b>8,230</b>	<b>51</b>	<b>(41,859)</b>	<b>30,605</b>	<b>1,457</b>	<b>506</b>	<b>12,286</b>	<b>28,753</b>

In 2011 the subsidiary CAF Investment Projects, S.A.U. granted a loan of EUR 15,104 thousand to Plan Metro, S.A. to enable it to temporarily meet certain financial obligations incurred due to the change in the end client's payment profile. This loan does not form part of the net investment, since it has, in any case, a maturity date and collection is sufficiently guaranteed. Plan Metro, S.A.'s current economic and financial model supports the recovery of the loaned amounts and the interest accrued thereon by the CAF Group. Also, the Group recognised finance income of EUR 2,148 thousand in relation to the interest accrued on the loan with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss (2019: EUR 1,998 thousand).

## **11. Inventories**

The detail of "Inventories" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Raw materials and other procurements, work in progress and finished and semi-finished goods (Note 22)	406,795	450,973
Advances to suppliers	74,874	36,860
<b>Total</b>	<b>481,669</b>	<b>487,833</b>

At 2020 year-end the Group had recognised write-downs totalling EUR 34,448 thousand (31 December 2019: EUR 32,660 thousand).

At 31 December 2020, the Group had firm raw materials purchase commitments amounting to approximately EUR 720,611 thousand (31 December 2019: EUR 748,373 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2020 and 2019, the insurance policies taken out covered the carrying amount of the inventories at those dates.

## **12. Trade and other receivables**

The detail of "Trade Receivables for Sales and Services" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Trade receivables - in euros	854,211	806,897
Trade receivables - in foreign currency	522,711	584,627
Write-downs	(19,786)	(19,130)
<b>Total</b>	<b>1,357,136</b>	<b>1,372,394</b>

The detail of this heading, by trade receivables and contract assets, is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Contract assets (Note 3-g)	813,859	812,742
Customers billed	563,063	578,782
Write-downs	(19,786)	(19,130)
<b>Total</b>	<b>1,357,136</b>	<b>1,372,394</b>

### *Contract assets and liabilities*

The detail of contract assets and liabilities is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Current contract assets (Note 3-g)	813,859	812,742
Current contract liabilities (Note 3-g)	(807,549)	(852,532)
Non-current contract liabilities (Note 21)	(65,394)	(51,059)
<b>Net balance</b>	<b>(59,084)</b>	<b>(90,849)</b>

EUR 612,769 thousand of "Current Contract Liabilities" at 31 December 2019 were recognised as revenue in 2020 (2019: EUR 400,707 thousand). Moreover, no significant revenue was recognised for performance obligations satisfied in prior periods.

The unrecognised revenue for performance obligations not satisfied at year-end relates to what is usually referred to as backlog (see definition in the Alternative Performance Measures section of the Directors' Report) (Note 27). 32% of that amount is expected to be recognised under "Revenue" in 2021, 25% in 2022 and the remainder in 2023 and subsequent years.

The provisions for third-party liabilities reducing "Contract Assets" amounted to EUR 56,992 thousand at 31 December 2020 (31 December 2019: EUR 53,865 thousand).

### *Customers billed*

The amount of customers billed is recognised net of provisions for third-party liability. The provisions for third-party liability reducing the balance of customers billed at 31 December 2020 amounted to EUR 76,746 thousand (31 December 2019: EUR 83,080 thousand).

At 31 December 2020, the Group recognised EUR 39,764 thousand corresponding to billed and unbilled balances receivable for contracts already executed that have not yet been collected after obtaining arbitration awards favourable to the Group and with subsequent favourable judgments.

At 31 December 2020, the balances billed included EUR 58,601 thousand in relation to the agreement signed in prior years with Metro de Caracas, the balance of which is past due and relates to work performed, net of contractual provisions, and billed to the customer and the collection of which is considered to be covered by the insurance policy in force.

The unincorporated temporary joint venture (Spanish UTE) CSM, as policyholder, keeps arranged a supplier credit policy with credit risk coverage for the Metro de Caracas Line 1 refurbishment project. The insureds under this policy are the venturers in the aforementioned unincorporated temporary joint venture, including CAF. At 31 December 2020, the maximum amount payable to CAF was EUR 59 million. At the date of preparation of these consolidated financial statements all the objective conditions necessary for filling a claim under the aforementioned insurance policy had been met, but no claims had been made. The decision on whether to file claims lies within the remit of the governing bodies of UTE CSM. The terms and conditions of the credit insurance set the payment period for a potential indemnity payment at within six months.

In relation to the contract with Metro de Caracas, the Group's accounting policy was to recognise only as revenue the collection of which was considered probable, considering as such revenue already collected, revenue insured under credit policies and revenue that can be offset against other liabilities to the same customer. At 31 December 2020 and 2019, the CAF Group had balances billed to Metro de Caracas amounting

to EUR 37 million (now past-due) which had not been recognised for accounting purposes since the performance of the related projects as there was uncertainty in relation to their collectability.

At 31 December 2020, 27% of the billed receivables related to the top five customers (31 December 2019: 39%). "Trade Receivables" includes retentions at 31 December 2020 amounting to EUR 6,611 thousand (31 December 2019: EUR 6,144 thousand).

The past-due balances recognised under "Trade and Other Receivables" at 31 December 2020 and 2019 in addition to the past-due balances with Metro de Caracas are as follows:

	Thousands of euros	
	31/12/20	31/12/19
Past due > 90 days	15,174	71,377
Past due > 180 days	133,654	134,267
<b>Total</b>	<b>148,828</b>	<b>205,644</b>

Approximately 43% of this balance is concentrated in three countries and six agreements in relation to which the Group is implementing active collection management measures, although no significant losses that had not been provisioned are expected.

At 31 December 2020, the amount, past-due by more than 180 days, recognised under "Trade Receivables for Sales and Services" in relation to a fleet construction and supply contract in Brazil, net of advances received, amounted to EUR 8.9 million (31 December 2019: EUR 13.1 million), without taking into account the impairment losses or the provisions recognised, which cover the entire amount. (Note 26)

#### Write-downs

The changes in write-downs in 2020 and 2019 were as follows:

#### 2020

	Thousands of euros
<b>Balance at 31/12/19 (Note 2-f)</b>	<b>19,130</b>
Translation differences	(2,059)
Amount used	(1,936)
Provisions reversed with a credit to "Other Operating Expenses"	4,393
Reclassifications	258
<b>Balance at 31/12/20</b>	<b>19,786</b>

#### 2019

	Thousands of euros
<b>Balance at 31/12/18</b>	<b>16,372</b>
Changes in the scope of consolidation (Note 2-f)	345
Translation differences	21
Amount used	(22)
Provisions reversed with a credit to "Other Operating Expenses"	2,164
Reclassifications	250
<b>Balance at 31/12/19</b>	<b>19,130</b>

### **13. Other current financial assets**

The detail of "Other Current Financial Assets" at 31 December 2020 and 2019 is as follows:

#### **2020**

Financial assets: Type/Category	Thousands of euros		
	At Amortised Cost	At Fair Value through Profit or Loss	Total
Other financial assets	40,903	61,097	102,000
<b>Short-term/current</b>	<b>40,903</b>	<b>61,097</b>	<b>102,000</b>

#### **2019**

Financial assets: Type/Category	Thousands of euros		
	At Amortised Cost	At Fair Value through Profit or Loss	Total
Other financial assets	34,587	60,564	95,151
<b>Short-term/current</b>	<b>34,587</b>	<b>60,564</b>	<b>95,151</b>

"Financial Assets at Amortised Cost" includes, mainly, the cash surpluses invested in government debt securities, repos, short-term deposits and term deposits. "Financial Assets at Fair Value through Profit or Loss" includes the fixed-income investment funds. In both cases, these are short-term investments, the results of which are recognised with a credit to "Finance Income" in the accompanying consolidated statement of profit or loss. In 2020 and 2019 the Group recognised income in this connection and in relation to the cash surpluses amounting to EUR 2,585 thousand (2019: EUR 6,703 thousand).

### **14. Equity**

#### **a) Share capital of the Parent**

At both 31 December 2020 and 2019, the Parent's share capital was represented by 34,280,750 fully subscribed and paid shares of EUR 0.301 par value each, traded by the book-entry system, all of which are listed on the stock exchange.

The shareholder companies or entities that had notified the Spanish National Securities Market Commission (CNMV) that they held voting rights representing over 3% of the Parent's share capital at 31 December 2020 and 2019 were as follows:

	% 2020	% 2019
Cartera Social, S.A. (i)	24.56%	24.87%
Kutxabank, S.A. (ii)	14.06%	14.06%
Indumenta Pueri S.L.(iii)	5.02%	5.02%
Daniel Bravo Andreu (iv)	5.00%	-
Norges Bank	3.26%	-
EDM Gestión, S.A. S.G.I.I.C. (v)	-	3.02%

*i. The shareholders of this company are employees of the Parent.*

*ii. Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.*

*iii. Indumenta Pueri, S.L. is the indirect holder. The direct holder is Global Portfolio Investments, S.L., a company controlled by Indumenta Pueri, S.L.*

*iv. Daniel Bravo Andreu's ownership interest is indirect; the direct holder is Danimar 1990, S.L.*

*v. EDM Gestión, S.A. S.G.I.I.C. was the indirect holder. It controls the voting rights of different companies of the Group.*

The Annual General Meeting held on 10 June 2017 resolved to empower the Parent's Board of Directors, with express powers of delegation, for a period of five (5) years from that date, to issue debt instruments and fixed-income or other securities (including warrants) convertible into shares of the Parent or other Group companies, including the power to disapply shareholders' pre-emption rights for a maximum of 20% of the share capital at the authorisation date. This decision rendered null and void the resolution adopted

by the Parent's Annual General Meeting held on 7 June 2014. At the date of preparation of these consolidated financial statements no convertible securities had been issued since that resolution.

On 2 June 2018, at the Annual General Meeting, the Board of Directors empowered to increase the share capital on one or more occasions, through the issuance of new shares against monetary contributions, over a period of five years and up to half of the amount of the share capital. At the date of preparation of these consolidated financial statements, no capital increase had been performed since that resolution.

Lastly, the Annual General Meeting held on 13 June 2020 resolved to empower the Board of Directors to acquire treasury shares for a period of five years from that date. This authorisation rendered null and void the authorisation granted in a resolution adopted by the shareholders at the Annual General Meeting held on 13 June 2015. At the date of preparation of these consolidated financial statements, no treasury shares had been acquired since that resolution.

**b) Share premium**

The share premium account balance has no specific restrictions on its use.

**c) Revaluation reserve**

The amount held in this reserve in 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Revaluation of property, plant and equipment:		
Land (IFRS 1)	30,418	30,418
Revaluation reserve Gipuzkoa Regulation 11/1996	8,701	8,701
<b>Total</b>	<b>39,119</b>	<b>39,119</b>

*Revaluation reserve Gipuzkoa Regulation 11/1996*

This balance can be used to offset accounting losses, to increase share capital, and the remainder, if any, can be taken to restricted reserves. If this balance was used in a manner other than that provided for in Gipuzkoa Regulation 11/1996, it would be subject to tax.

**d) Legal reserve**

Under the Consolidated Spanish Limited Liability Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 20% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose. At the end of 2020 and 2019 the balance of this reserve had reached the legally required minimum.

**e) Restricted and unavailable reserves**

The individual financial statements of the consolidated companies include reserves amounting to approximately EUR 92,983 thousand at 31 December 2020 (31 December 2019: approximately EUR 91,601 thousand) relating to the legal reserve, revaluation reserve, productive investment reserve (Gipuzkoa Regulation 2/2014), reserve for retired capital and other reserves which are restricted as to their use. Also, certain companies have reserves that are restricted as a result of financing agreements (Note 16).

In addition, until the balance of "Development Expenditure" has been fully amortised, no dividends may be distributed unless the balance of the unrestricted reserves is at least equal to the amount of the unamortised balances. Accordingly, at 2020 year-end EUR 66,774 thousand of the reserves were restricted as to their use (2019 year-end: EUR 70,642 thousand).

#### **f) Dividends of the Parent**

The Annual General Meeting held on 13 June 2020 resolved to pay dividends amounting to EUR 28,864 thousand, of which EUR 1,950 thousand related to profit for 2019, and EUR 26,914 thousand were distributed with a charge to voluntary reserves. At 31 December 2020, the Parent recognised these amounts net of withholding tax under "Current Financial Liabilities - Other Financial Liabilities" in the accompanying consolidated balance sheet. This amount was paid in January 2021 (see Note 15).

The Annual General Meeting held on 15 June 2019 resolved to pay dividends amounting to EUR 26,225 thousand, of which EUR 4,285 thousand related to profit for 2018 and EUR 21,940 thousand were distributed with a charge to voluntary reserves.

#### **g) Translation differences**

The breakdown, by company, of "Translation Differences" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
CAF México, S.A. de C.V.	(2,643)	(1,532)
CAF Brasil Indústria e Comércio, S.A.	(57,831)	(45,093)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	(3,073)	(2,946)
CAF USA, Inc.	(3,702)	1,632
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	(3,506)	(1,579)
CAFTurk Tren Sanayî Ve Tîcaret Lîmîted Sîrketî	(2,159)	(1,672)
CAF Argelia (EURL)	(942)	(498)
CAF India Private Limited	(1,889)	(1,008)
Ctrens Companhia de Manutençao, S.A.	(125,084)	(89,140)
Provetren, S.A. de C.V.	1,207	1,897
Solaris Bus & Coach, sp z.o.o.	(14,269)	2,324
CAF Group UK Limited	(2,313)	(230)
Euromaint Gruppen AB	4,339	1,474
Euromaint Rail AB	(853)	(47)
Other companies	1,187	1,736
<b>Total</b>	<b>(211,531)</b>	<b>(134,682)</b>

#### **h) Non-controlling interests**

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes there in 2020 and 2019 is as follows:

	Thousands of euros
<b>Balance at 31 December 2018</b>	<b>5,555</b>
Profit attributable to non-controlling interests	345
Business combination	73
Transactions with non-controlling shareholders	7,484
Dividends	(1,327)
<b>Balance at 31 December 2019</b>	<b>12,130</b>
Profit attributable to non-controlling interests	1,241
Business combination	(423)
Transactions with non-controlling shareholders	(893)
Dividends	(821)
<b>Balance at 31 December 2020</b>	<b>11,234</b>

#### **i) Capital management**

The Group's capital management is aimed at achieving a financial structure that optimises the cost of capital, ensuring a sound financial position. This policy makes it possible to make the creation of value for shareholders compatible with access to financial markets at a competitive cost in order to meet both debt refinancing needs and the investment plan financing requirements not covered by funds generated by the business activities carried on.

The Group sets as an objective maintaining a leverage ratio and creditworthiness in line with the profile of its businesses.

The CAF Group regularly assesses the appropriateness of its liability structure, and takes into consideration the projected cash flows, the maturity profile of its debt, the foreseeable evolution of its working capital and other future liquidity needs.

At 31 December 2020 and 2019, a substantial portion of the borrowings were directly assigned to activities such as the concessions in Brazil and Mexico (Note 9-c) and Solaris (Note 16). Leverage is taken to be the ratio of net financial debt to equity:

	Thousands of euros	
	31/12/20	31/12/19
<b>Net financial debt:</b>		
Interest-bearing refundable advances and deferrals with public entities (Notes 15 and 19)	15,250	11,363
Bank borrowings - Non-current liabilities (Note 16)	808,849	868,072
Bank borrowings and debt instruments - Current liabilities (Note 16)	170,760	199,979
Financial assets - Non-current assets (Note 9-c)	(8,432)	(12,144)
Current financial assets (Note 13)	(101,636)	(94,709)
Cash and cash equivalents	(573,928)	(538,983)
	<b>310,863</b>	<b>433,578</b>
<b>Equity:</b>		
Attributable to the Parent	632,969	733,237
Non-controlling interests	11,234	12,130
	<b>644,203</b>	<b>745,367</b>

## **15. Other current and non-current financial liabilities and other obligations**

The detail of the Group's financial liabilities at 31 December 2020 and 2019, by type and category for measurement purposes, is as follows:

	Thousands of euros			
	31/12/20		31/12/19	
	Long-term	Short-term	Long-term	Short-term
Refundable advances	31,458	11,111	33,151	10,002
Employee benefit obligations (Note 23)	2,847	-	3,153	-
Share purchase liabilities	4,184	3,804	4,591	7,519
Payable to non-current asset suppliers (Note 8)	-	3,976	-	7,594
Obligations under finance leases (Note 8-b)	39,114	17,882	49,024	18,939
Dividend payable (Note 14-f)	-	25,616	-	-
Other liabilities	1,012	123	873	90
<b>Total</b>	<b>78,615</b>	<b>62,512</b>	<b>90,792</b>	<b>44,144</b>

The detail, by maturity in the coming years, of other non-current financial liabilities is as follows (in thousands of euros):

	2020		2019	
2022	20,153	2021	28,970	
2023	20,610	2022	18,070	
2024	9,700	2023	14,668	
2025	6,286	2024	8,176	
2026 and subsequent years	21,866	2025 and subsequent years	20,908	
<b>Total</b>	<b>78,615</b>	<b>Total</b>	<b>90,792</b>	



### Refundable advances

Through research and development programmes the Group has received certain grants to conduct research and development projects. These aids are recognised on the date it is effectively collected or, if applicable, when collected by the coordinator of the joint project. These grants consist of:

- Grants to partially meet the expenses and costs of these projects.
- Refundable advances in the form of loans which are generally interest-free and which usually have an initial grace period of 3 years and are taken to income in a period of over 10 years.

The changes in 2020 and 2019 in relation to the long-term portion of the aforementioned programmes (at present value) were as follows:

	Thousands of euros
	Refundable advances
<b>Balance at 31/12/18</b>	<b>32,929</b>
Additions	8,293
Adjustments and other	331
Translation differences	3
Transfers to short term	(8,405)
<b>Balance at 31/12/19</b>	<b>33,151</b>
Changes in the scope of consolidation (Note 2-f)	150
Additions	10,846
Adjustments and other	(205)
Translation differences	(59)
Transfers to short term	(12,425)
<b>Balance at 31/12/20</b>	<b>31,458</b>

### Employee benefit obligations

At 31 December 2020, "Non-Current Financial Liabilities - Other Financial Liabilities" and "Trade and Other Payables - Other Payables" in the accompanying consolidated balance sheet included EUR 2,847 thousand and EUR 2,649 thousand, respectively (31 December 2019: EUR 3,153 thousand and EUR 2,712 thousand, respectively), related to the present value estimated by the Parent's directors of the future payments to be made to employees who, at December 2020 with whom hand-over contracts had been entered into. The net provision for 2020 was recognised with a charge of EUR 2,745 thousand (2019: EUR 3,050 thousand) to "Staff Costs" in the accompanying consolidated statement of profit or loss (see Note 23).

Also, the detail of the present value of the obligations assumed by the Group relating to post-employment benefits and long-term employee benefits, net of the fair value of the plan assets allocated for the coverage thereof, at the end of 2020 and 2019, is as follows (Note 3-j):

	Thousands of euros	
	31/12/20	31/12/19
Present value of the obligations assumed	59,430	51,374
Less - Fair value of plan assets	(58,989)	(50,882)
<b>Other current (assets) liabilities, net</b>	<b>441</b>	<b>492</b>

The present value of the obligations assumed by the Group was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: "Projected unit credit method", which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

Actuarial assumptions	2020	2019
Discount rate	0.72%-0.73%	0.99%-1.05%
Mortality tables	PERM/F/2000P	PERM/F/2000P
Annual salary or pension increase rate	1-2%	1-2%
Retirement age	65-67	65-67

The fair value of the plan assets was calculated at year-end using the projected unit credit method.

#### *Share purchase liabilities*

"Share Purchase Liabilities" includes the amounts foreseeably payable for the cross call options to acquire the remaining share capital of BWB Holdings Limited (26% of the remaining share capital) and the put options granted to the non-controlling interest of Lander Simulation and Training Solutions, S.A (23,87% of the remaining share capital). The strike price of these transactions varies, depending on the certain financial parameters of both companies on the date the options are exercised.

In 2020 the minority shareholders exercised the related put options on 12% of the share capital of Lander Simulation and Training Solutions, S.A. and on 25% of the remaining share capital of Rifer, SRL, giving rise to a payment of EUR 2,684 thousand (see Note 2-f). Also, in 2020 payment was made of EUR 1,125 thousand for the 7.06% of the share capital of Lander Simulation and Training Solutions, S.A. acquired in 2019.

The put options on the rest of the share capital of Lander Simulation and Training Solutions, S.A. are exercisable until 2021. The initial price established in the options is based on the appraisal conducted by an independent expert.

#### *Obligations under finance leases*

In 2020 "Obligations under Finance Leases" includes all the assets the Group holds as a lessee (see Note 8-b).

The detail, by maturity in the coming years, of obligations under finance leases is as follows (in thousands of euros):

	2020		2019
2022	12,154	2021	15,590
2023	10,312	2022	10,956
2024	4,912	2023	9,440
2025	2,499	2024	3,823
2026 and subsequent years	9,237	2025 and subsequent years	9,215
<b>Total</b>	<b>39,114</b>	<b>Total</b>	<b>49,024</b>

## 16. Bank borrowings and debt instruments or other marketable securities

The detail of "Bank Borrowings" in the accompanying consolidated balance sheet is as follows:

	Nominal currency	Thousands of euros					
		31/12/20			31/12/19		
		Non-current	Current	Total	Non-current	Current	Total
Loans and credit accounts							
Ctrens - BNDES	BRL	70,604	13,698	84,302	107,159	15,826	122,985
Provetren - Banking syndicate	USD	38,076	18,898	56,974	61,976	16,371	78,347
Parent (CAF, S.A.)	EUR	600,630	29,532	630,162	585,658	9,631	595,289
CAF Investment Projects, S.A.U.	EUR	19,901	-	19,901	19,866	-	19,866
Solaris Group	PLN/EUR	79,053	85,251	164,304	92,710	75,459	168,169
Actren Mantenimiento Ferroviario, S.A.	EUR	-	8,979	8,979	-	-	-
Other Group companies	EUR	585	2,359	2,944	703	223	926
		808,849	158,717	967,566	868,072	117,510	985,582
Debt instruments or other marketable securities							
Commercial paper issue	EUR	-	10,000	10,000	-	80,000	80,000
Accrued interest payable		-	2,043	2,043	-	2,469	2,469
<b>Total</b>		<b>808,849</b>	<b>170,760</b>	<b>979,609</b>	<b>868,072</b>	<b>199,979</b>	<b>1,068,051</b>

In 2020 the changes in "Bank borrowings and debt instruments or other marketable securities" were as follows:

<b>Balance at 31 December 2019</b>	<b>1,065,582</b>
<b>Cash flows</b>	
New drawdowns	472,084
Maturity payments	(515,919)
	<b>(43,835)</b>
<b>Other changes (without cash flows)</b>	
Translation differences	(51,526)
Amortised cost adjustments and other	7,345
	<b>(44,181)</b>
<b>Balance at 31 December 2020</b>	<b>977,566</b>

In addition, at 31 December 2020 the suppliers the Group had drawn down EUR 38,166 thousand against non-recourse reverse factoring lines.

The bank borrowings are presented in the consolidated balance sheet adjusted by the costs incurred in the arrangement of the loans.

### Ctrens - BNDES

In relation to the CPTM train lease transaction described in Note 9-c, on 10 May 2011, the subsidiary Ctrens-Companhia de Manutenção, S.A. (Ctrens) arranged with Banco Nacional de Desenvolvimento Econômico e Social (BNDES) financing for a maximum amount of BRL 946,890 thousand. The loan bears interest at TJLP (Taxa de Juros de Longo Prazo) plus a spread. The loan principal will be repaid in 160 successive monthly instalments, the first of which was paid in January 2013. In 2020, in a similar manner to the agreement with CPTM to extend the payment period, in June 2020 Ctrens requested the COVID-19 debt standstill offered by BNDES, which was accepted in July 2020, thus suspending the repayment of the borrowings and the interest payments in the period from July to December 2020. The payments restarted as normal in January 2021, with no change to the final financing period.

The related agreement contains certain restrictive clauses limiting the ability of Ctrens-Companhia de Manutenção, S.A., inter alia, to obtain new bank loans, provide guarantees, reimburse capital, distribute dividends, and establishing the obligation to achieve certain financial conditions from January 2013 onwards, including a debt service coverage ratio (which must be over 1.2) and minimum capital structure ratio (which must be over 0.24). These clauses were met in 2020 and 2019.

Also, on 15 June 2011 the subsidiary entered into a "fiduciary" transfer of title agreement with BNDES whereby it assigned as a guarantee such collection rights as CTRENS might have vis-à-vis CPTM, as well as the

guarantees provided by CPTM for the subsidiary and any amount claimable by the subsidiary from CPTM, the Parent and CAF Brasil Indústria e Comércio, S.A.

### **Provetren - Banking syndicate**

In relation to the long-term agreement to provide services for the lease of trains (PPS - Line 12) described in Note 9-c, on 7 December 2012 the subsidiary Provetren, S.A. de C.V. entered into a long-term financing agreement amounting to a maximum of USD 300 million with a syndicate of banks comprising BBVA Bancomer, S.A., Banco Nacional de México, S.A., Banco Santander (Mexico) S.A., Sumitomo Mitsui Banking Corporation and Caixabank, S.A. The aforementioned loan bears interest at a rate tied to LIBOR. In order to avoid fluctuations in the yield curve and, as it is habitual in financing of this kind, Provetren entered into an interest rate hedge agreement for 80% of the financing and 80% of the term (Note 17).

The loan principal will be repaid in 39 consecutive quarterly instalments, in line with the collection profile under the PPS, the first maturity date being October 2013.

The related agreement contains certain restrictive clauses limiting the ability of Provetren, S.A., de C.V., inter alia, to obtain new bank loans, provide guarantees, reimburse capital, distribute dividends if certain ratios have not been achieved, and establishing the obligation to achieve certain financial conditions from October 2013 onwards, including a debt service coverage ratio (which must be over 1.15). These clauses were met in 2020 and 2019.

Also, on the same date, 7 December 2012, the subsidiary with Banco Invex acting as Trustee and BBVA Bancomer, S.A. acting as Primary Beneficiary, entered into a trust agreement, whereby it assigned as a guarantee such collection rights as Provetren might have under the PPS, any collection rights arising from the interest rate hedge agreement, any collection rights under the manufacture and maintenance agreements, any income from VAT refunds and amounts arising from insurance policies.

The shares of the subsidiaries Ctrens-Companhia de Manutenção, S.A. and Provetren, S.A. de C.V. have been pledged to BNDES and the syndicate of banks mentioned above, respectively. In neither of the long-term financing agreements described above can the lenders have recourse to any of the companies composing the CAF Group other than those of a technical nature.

### **Loans of the Parent**

In 2020 the Parent drew down two loans arranged in 2019 for an amount of EUR 45 million, and arranged four additional loans with financial institutions for an amount of EUR 105 million, which have been fully drawn down as of December 31, 2020.

In addition, in 2020 the Parent repaid EUR 50.6 million on maturity and four loans for EUR 70 million early.

On the other hand, during the year 2020, the Parent Company has negotiated new conditions for an existing loan amounting to 70 million euros, both in terms of financial cost and extension of maturity from one year to an average life of 4.7 years.

### **Solaris**

On October 28, 2016, Solaris Bus & Coach, sp. z.o.o. (Solaris) entered into financing facilities with a consortium of Polish banks. Such financing comprises at year-end 2020 a tranche in loan format for PLN 250 million (EUR 55 million) drawn down by PLN 248 million as of December 31, 2020 and a tranche in credit line format for PLN 250 million (EUR 55 million), of which nothing was drawn down as of December 31, 2020. Both tranches had an initial maturity in October 2021, with the same having been extended during 2020 until December 2024.

In addition to the foregoing, Solaris has a current payable amounting to PLN 340 million (EUR 75 million) relating to discounted drafts, which accrue interest at market rates.

All of the above loan accrues interest at market rates and subject to compliance with a series of financial covenants, which include maintaining a debt/equity ratio lower than 3 (or 4.5 if recourse factoring is taken into account in the debt-equity ratio), a debt service coverage ratio equal to or higher than 1.5, an equity-to-asset

ratio equal to or higher than 12%, positive equity and a maximum investment amount. These conditions were met at 31 December 2020.

In addition, Solaris Bus & Coach, sp. z.o.o. has contracted a new loan with financial institutions in the amount of PLN 100 million (EUR 22 million at the closing exchange rate) with a single two-year maturity in 2020. This loan is fully drawn down as of December 31, 2020.

The entire financing package is secured in full mainly by guarantees on its assets and receivables (property, plant and equipment, trademarks, current accounts and accounts receivable, among others) delivered by Solaris to the banks.

Lastly, there is a limit in current payable amounting to EUR 10 million drawn down by Solaris Norge AS, Solaris France SARL and Solaris Sverige AB mainly, which accrue interest at a market rate and are secured by Solaris Bus & Coach, sp. z.o.o.

### **CAF Investment Projects, S.A.U. and others**

In July 2016 the subsidiary CAF Investment Projects, S.A.U. drew down a loan for EUR 20,000 thousand. This loan is guaranteed by the Parent, has a term of eight years and a grace period of six years, and bears interest tied to Euribor. This loan establishes the obligation to maintain a minimum ratio between the contribution received from the lender and the amount invested by CAF Investment Projects, S.A.U. in foreign companies. At 31 December 2020 and 2019, this ratio was achieved.

The remaining financial debt relates to loans received by various subsidiaries that are tied to a market interest rate.

### **Commercial paper issue**

On 21 December 2017, the Parent arranged a Euro-Commercial Paper Programme for an aggregate maximum principal amount of EUR 200 million ("the Programme"), which was registered at the Irish Stock Exchange. The programme was extended for a period of 12 months in December 2019 increasing the aggregate maximum principal amount to EUR 250 million, not having been renewed in December 2020. In 2020 EUR 162.7 million have been issued with a charge to this programme, which were repaid on maturity. Under the terms and conditions of the Information Memorandum relating to the Programme and for a period of 12 months, CAF was able to issue ordinary fixed-income securities with a maturity of less than 364 days, which could be listed on the regulated market of the Irish Stock Exchange, or on any other stock exchange or trading system. At 31 December 2020, EUR 10 million had not yet matured. This amount is related to issues maturing in the first few months of 2021 (31 December 2019: EUR 80 million).

To replace the programme registered with the Irish Stock Exchange, since it was not renewed in December 2020, the Parent, in accordance with the approval given by the Board of Directors on 17 December 2020, formalised the commercial paper issue programme (Commercial Paper Programme CAF 2020) for an aggregate maximum principal amount of EUR 250 million, which was listed on the Spanish Alternative Fixed-Income Market ("MARF") on 21 December 2020. The Programme will enable the Parent, under the terms and conditions established in the Programme's Information Memorandum and for a period of 12 months, to issue commercial paper with a maturity of less than 730 days, which will be listed on the MARF. At 2020 year-end, no issues had been made under this programme.

### **Undrawn credit facilities and maturities**

The CAF Group constantly assesses its available liquidity, including cash balances, short-term liquid investments, the availability of lines of credit, access to short-term capital market instruments and the generation of cash flows from operating activities, in order to meet the Group's liquidity needs at all times. To this end, the following factors, among others, are taken into consideration: the historic volatility of the Group's liquidity needs, their seasonality, the maturity profile of the borrowings, the needs arising from investment plans, the expected level of customer advances and the evolution of working capital.

The Group's companies have undrawn credit facilities amounting to EUR 439,746 thousand (31 December 2019: 280,100 thousand) in the form of undrawn loans, credit facilities and factoring arrangements, which are tied mainly to Euribor plus a market spread.

The repayment schedule of non-current bank borrowings is as follows (in thousands of euros):

	31/12/20		31/12/19
2022	181,147	2021	213,457
2023	97,144	2022	146,821
2024	188,421	2023	89,107
2025	240,233	2024	181,754
2026 and subsequent years	101,904	2025 and subsequent years	236,933
<b>Total</b>	<b>808,849</b>	<b>Total</b>	<b>868,072</b>

## **17. Derivative financial instruments**

The CAF Group uses derivative financial instruments to hedge the risks to which its activities, transactions and future cash flows are exposed, mainly risks arising from changes in exchange rates and interest rates (Note 5-a). The CAF Group arranges foreign currency hedges in order to mitigate the potential adverse effect that changes in exchange rates might have on future cash flows relating to transactions and loans in currencies other than the functional currency of the company concerned.

Also, certain fully consolidated companies and certain companies accounted for using the equity method have arranged interest rate hedges (Note 5-a).

The breakdown of the net balances of derivatives, basically fair value hedges, recognised in the consolidated balance sheets as at 31 December 2020 and 2019 is as follows:

### **2020**

Currency put options at 31/12/20	Maturity (in currency)		
	2021	2022	2023 and subsequent years
<b>Fair value hedges</b>			
USD currency forwards (*)	377,986,634	1,817,804	-
GBP currency forwards	172,648,152	180,166,152	63,657,877
EUR currency forwards	21,724,206	-	-
BRL currency forwards	116,253,685	-	-
SEK currency forwards	673,370,602	113,046,807	208,762,058
AUD currency forwards	82,062,177	322,374,908	372,075,157
SAR currency forwards	88,292,442	-	-
MXN currency forwards	1,086,632,799	49,088,605	-
CAD currency forwards	1,056,000	-	-
TRY currency forwards	1,540,950	-	-
JPY currency forwards	13,767,210,625	-	-
NZD currency forwards	1,600,000	-	-
HKD currency forwards	-	92,696,630	-
HUF currency forwards	2,774,460,109	-	-

(\*) Including the partial hedge of a net investment in CAF USA, Inc. amounting to USD 22,300 thousand and the hedge of a net investment in Provetren amounting to USD 191,424 thousand.

Currency call options at 31/12/20	Maturity (in currency)		
	2021	2022	2023 and subsequent years
<b>Fair value hedges</b>			
USD currency forwards	15,153,788	28,553,760	-
EUR currency forwards	2,487,506	7,617,317	-
MXN currency forwards	700,878,878	-	-
JPY currency forwards	1,482,706,334	-	-
GBP currency forwards	137,586,127	899,259	-
AUD currency forwards (Note 9-a)	6,572,272	2,500,000	28,078,510
<b>Cash flow hedges</b>			
COP currency forwards	-	41,426,907,240	-
ILS currency forwards (Notes 9-a and 26)	21,798,566	20,000,000	-
JPY currency forwards	658,494,064	-	-

Interest rate derivatives	Loan maturity (in currency)		
	2021	2022	2023 and subsequent years
Euribor swap	-	-	25,000,000
LIBOR swap	USD 58,988,067	-	-

	Thousands of euros			
	Fair value		Cash flow	
	31/12/20	31/12/19	31/12/20	31/12/19
<b>Hedges:</b>				
USD currency forwards	4,246	(6,769)	-	-
GBP currency forwards	(3,219)	(4,845)	-	-
MXN currency forwards	(974)	(9,677)	-	-
BRL currency forwards	(1,183)	(2,005)	-	-
EUR currency forwards	(380)	(143)	-	-
SEK currency forwards	(4,690)	(1,009)	-	-
SAR currency forwards	1,903	2,621	-	-
TWD currency forwards		(460)	-	-
JPY currency forwards	2,953	2,702	(281)	901
AUD currency forwards	(4,643)	(3,369)	-	-
Currency forwards in other currencies	802	(140)	843	977
Forward rate agreements		-	(670)	(690)
<b>Measurement at year-end (*)</b>	<b>(5,185)</b>	<b>(23,094)</b>	<b>(108)</b>	<b>1,188</b>

(\*) Before considering the related tax effect.

## 2019

Currency put options at 31/12/19	Maturity (in currency)		
	2020	2021	2022 and subsequent years
<b>Fair value hedges</b>			
USD currency forwards (*)	354,790,102	68,655,183	-
GBP currency forwards	264,369,800	54,448,371	243,824,029
EUR currency forwards	2,318,940	-	-
BRL currency forwards	70,870,207	-	-
SEK currency forwards	856,207,895	-	-
AUD currency forwards	16,842,010	45,922,439	645,802,427
TWD currency forwards	77,422,500	-	-
SAR currency forwards	81,139,390	-	-
MXN currency forwards	1,842,418,091	15,934,685	-
TRY currency forwards	2,410,882	-	-
JPY currency forwards	6,791,754,460	6,975,456,165	-
ARS currency forwards	122,000,000	-	-
NZD currency forwards	3,500,687	-	-
HUF currency forwards	215,790,000	-	-

(\*) Including the partial hedge of a net investment in CAF USA, Inc. amounting to USD 22,300 thousand and the hedge of a net investment in Provetren amounting to USD 199,782 thousand.

Currency call options at 31/12/19	Maturity (in currency)		
	2020	2021	2022 and subsequent years
<b>Fair value hedges</b>			
USD currency forwards	44,344,161	6,632,384	-
EUR currency forwards	39,289,240	-	-
BRL currency forwards	6,439,468	-	-
MXN currency forwards	1,021,333,911	-	-
JPY currency forwards	1,265,916,000	-	-
GBP currency forwards	110,208,756	39,792,125	-
AUD currency forwards	-	7,682,932	28,078,510
<b>Cash flow hedges</b>			
COP currency forwards	48,000,000,000	-	-
JPY currency forwards	1,759,692,274	-	-

Interest rate derivatives	Loan maturity (in currency)		
	2020	2021	2022 and subsequent years
Euribor swap	-	-	25,000,000
LIBOR swap	USD 16,150,923	USD 58,988,067	-

At 2020 and 2019 year-end the associate S.E.M. Los Tranvías de Zaragoza, S.A. (Note 9-a) had arranged various financial swaps relating to the nominal value of its financial debt. These swaps were designated as cash flow interest rate hedges, and the negative value thereof attributable to the Group amounted to EUR 4,002 thousand at 31 December 2020, net of the related tax effect (31 December 2019: EUR 4,322 thousand). Also, the associate Momentum Trains Holding Pty Ltd (see Note 9-a) has arranged an interest rate swap. This derivative was designated as cash flow hedge, and the negative value thereof attributable to the Group amounted to EUR 9,491 thousand at 31 December 2020 (31 December 2019: EUR 7,642 thousand). These amounts were recognised under "Equity - Valuation Adjustments - Hedges" in the consolidated balance sheet as at 31 December 2020.

The hedging instruments expire in the same year in which the cash flows are expected to occur.



Following is a reconciliation of the remeasurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of euros):

	2020	2019
Non-current assets	41,736	45,001
Current assets	15,589	40,010
Non-current liabilities	(42,547)	(45,777)
Current liabilities	(20,071)	(61,140)
<b>Balance sheet net total</b>	<b>(5,293)</b>	<b>(21,906)</b>
Fair value	(5,185)	(23,094)
Cash flow	(108)	1,188
<b>Total derivatives, remeasured</b>	<b>(5,293)</b>	<b>(21,906)</b>

In 2020 the ineffective portion of the hedging transactions charged to profit or loss resulted in an income of EUR 2,104 thousand (2019: expense of EUR 1,731 thousand) mainly as a result of changes in the estimated amounts of the hedged items.

Also, the settlement in the value of the fair value derivatives resulted in an expense of EUR 2,700 thousand in 2020 (2019: expense of EUR 34,456 thousand), which is similar to the changes in value of the hedged items.

The items hedged by the Group, as indicated in Note 5-a on market risks, are currency transactions included in each of the commercial agreements. When the hedges are initially arranged these transactions comprise either firm commitments (in which case they are recognised as fair value hedges) or highly probable transactions (in which case they are recognised as cash flow hedges) or as net investment in foreign countries.

## **18. Current and deferred taxes**

The Group calculated the provision for income tax at 31 December 2020 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from that provided for in current legislation as a result of tax reforms, such treatment would be applied immediately in the financial statements issued subsequent to the approval thereof.

Since 2007 the Parent has filed consolidated income tax returns in the province of Gipuzkoa with certain subsidiaries.

The reconciliation of the Group's accounting profit for the year to the income tax expense is as follows:

	Thousands of euros	
	2020	2019
<b>Accounting profit before tax</b>	<b>49,077</b>	<b>61,138</b>
Tax rate of the Parent	24%	24%
<b>Income tax calculated at the tax rate of the Parent</b>	<b>11,778</b>	<b>14,672</b>
Effect of the different tax rate of subsidiaries	3,216	2,602
Effect of exempt income and non-deductible expenses for tax purposes	6,079	24,630
Effect of tax credits and other tax relief recognised in the year	(2,990)	(5,162)
Effect of tax assets and deferred taxes not recognised in previous years	22,450	(2,312)
Adjustments recognised in the year relating to prior years' income tax	(1,794)	1,616
Change in tax rate	85	2
<b>Total income tax expense recognised in the consolidated statement of profit or loss</b>	<b>38,824</b>	<b>36,048</b>
<b>Current tax expense (income) (*)</b>	<b>48,018</b>	<b>37,577</b>
<b>Deferred tax expense (income)</b>	<b>(9,194)</b>	<b>(1,529)</b>

(\*) Including prior years' adjustments and income tax.

In 2013 the Parent availed itself of the tax incentive provided for in Article 39 of Gipuzkoa Income Tax Regulation 7/1996. At 31 December 2020, the Parent had fulfilled all the investment commitments related to this incentive (Note 14).

In 2016 the Parent availed itself of the tax incentive provided for in Article 36 of Gipuzkoa Income Tax Regulation 2/2014, thereby reducing its taxable profit by EUR 6,337 thousand. The reinvestment commitment,

which totalled EUR 13,500 thousand, was fulfilled mainly in investments already made in 2016 by the Parent and the other companies in the consolidated tax group in property, plant and equipment and intangible assets.

The difference between the tax charge allocated and the tax payable for 2016 is presented under "Deferred Tax Assets" and "Deferred Tax Liabilities" on the asset and liability sides, respectively, of the accompanying consolidated balance sheet.

	Thousands of euros					
	31/12/19	Inclusions in the scope of consolidation	Additions, regularizations and tax rate changes	Disposals	Translation differences	31/12/20
<b>Deferred tax assets:</b>						
Tax credit and tax loss carryforwards (Note 3-k)	60,419	256	(876)	(3,995)	(29)	55,775
Provisions temporarily not deductible	78,052	-	23,039	(13,051)	(4,085)	83,955
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	2,259	-	-	(190)	-	2,069
Elimination of profits on consolidation and other	5,404	-	1,268	(173)	(1,150)	5,349
	<b>146,134</b>	<b>256</b>	<b>23,431</b>	<b>(17,409)</b>	<b>(5,264)</b>	<b>147,148</b>
<b>Deferred tax liabilities:</b>						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 and 9)	113,883	-	3,131	(5,617)	(17,900)	93,497
Revaluation of intangible and material assets (Notes 2-f and 14)	42,785	444	-	(1,950)	(1,342)	39,937
Exchange differences	549	-	-	(440)	-	109
Goodwill	16	-	-	-	-	16
Elimination of profits on consolidation and other	1,912	-	(1,262)	-	24	674
	<b>159,145</b>	<b>444</b>	<b>1,869</b>	<b>(8,007)</b>	<b>(19,218)</b>	<b>134,233</b>

	Thousands of euros					
	31/12/18	Inclusions in the scope of consolidation	Additions	Disposals	Translation differences	31/12/19
<b>Deferred tax assets:</b>						
Tax credit and tax loss carryforwards (Note 3-k)	70,084	-	116	(9,784)	3	60,419
Provisions temporarily not deductible	70,796	440	25,263	(18,466)	19	78,052
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	2,451	-	1	(193)	-	2,259
Elimination of profits on consolidation and other	5,217	-	427	(184)	(56)	5,404
	<b>148,548</b>	<b>440</b>	<b>25,807</b>	<b>(28,627)</b>	<b>(34)</b>	<b>146,134</b>
<b>Deferred tax liabilities:</b>						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 and 9)	135,939	221	4,625	(27,668)	766	113,883
Revaluation of intangible and material assets (Notes 2-f and 14)	39,134	7,145	242	(4,109)	373	42,785
Exchange differences	74	-	542	(68)	1	549
Goodwill	16	-	-	-	-	16
Elimination of profits on consolidation and other	2,028	-	(107)	-	(9)	1,912
	<b>177,191</b>	<b>7,366</b>	<b>5,302</b>	<b>(31,845)</b>	<b>1,131</b>	<b>159,145</b>

In 2020 the Group expects to take tax credits amounting to EUR 9,643 thousand (2019: EUR 16,285 thousand) mainly in relation to tax credits for R&D expenditure and international double taxation tax credits. Unused tax credits after projected income tax for 2020 amounted to EUR 97,280 thousand (2019: EUR 120,583 thousand), of which EUR 25,440 thousand (arising mainly from the Parent's tax group) are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2019 EUR 27,320 thousand). The tax loss carryforwards recognised amounted to EUR 30,335 thousand at 31 December 2020 (31 December 2019: EUR 33,099 thousand). The tax loss carryforwards relate mainly to the Parent's tax group EUR 29,251 thousand (31 December 2019: EUR 32,185 thousand).

At 31 December 2020, Provetren, S.A. de C.V. also recognised deferred tax liabilities of EUR 57,879 thousand to reflect the temporary difference between the assets' carrying amounts in the financial statements and their

tax bases measured by applying the 30% tax rate in accordance with current Mexican tax legislation (31 December 2019: EUR 68,569 thousand).

Lastly, at 31 December 2020 the subsidiary Ctrens recognised a deferred tax liability amounting to EUR 31,656 thousand as a result of the difference between the tax base and the carrying amount of the concession's financial asset caused by differences in the timing of recognition of amortisation (31 December 2019: EUR 41,734 thousand).

In general terms, the assets or equity items subject to the aforementioned tax credits must remain in operation in the Group, and be assigned, where applicable, to their intended purpose, for a minimum period of five years, or of three years in the case of movable property, unless the useful life is less, without being transferred, leased or assigned to third parties for their use, with the exception of justified losses.

In view of the uncertainty inherent to the recoverability of deferred tax assets, the Group's recognition policy is based on an assessment of its backlog. As required by this policy, the Group did not recognise tax credits and tax loss carryforwards amounting to EUR 159,887 thousand (2019: EUR 154,196 thousand), which will be recognised to the extent that they can be used in the coming years based on the limits and deadlines provided for in current legislation. Also, the Group has unrecognised deferred tax assets, with no defined last year for deduction, amounting to EUR 10,988 thousand (2019: EUR 12,785 thousand).

The amount of the (unrecognised) tax credits, tax loss carryforwards and deferred tax assets and their schedule for use by the Group is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Expiring in 2020	-	316
Expiring in 2021	372	1,988
Expiring in 2022	-	666
Expiring in 2023	1,036	430
Expiring in 2024	380	380
Expiring in 2025	743	557
Expiring in 2026	1,571	1,604
Expiring in 2027	1,023	825
Expiring in 2028	956	657
Expiring in 2029 and subsequent years	120,799	106,093
Unlimited	43,995	53,465
	<b>170,875</b>	<b>166,981</b>

The differences between the estimated income tax for 2019 and the tax return ultimately filed gave rise to income of EUR 1,794 thousand (2019: expense of EUR 1,616 thousand).

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2020 year-end the Group had 2016 and subsequent years open for review by the tax authorities for income tax and 2017 and subsequent years for the other taxes to which it is subject at the companies which file tax returns in Spain and, at the foreign companies, in accordance with local legislation. The Parent's directors consider that they have settled the aforementioned taxes adequately and, therefore, although discrepancies might arise in the interpretation of the tax legislation in force in terms of the tax treatment of transactions, the resulting liabilities, if any, would not have a material effect on the accompanying consolidated financial statements.

On September 25, 2020, the assessments related to the verification and investigation actions of partial scope related to Corporate Income Tax for the periods 2012 to 2015 of the Parent Entity, as well as of the Tax Group No. 03/07/G, were signed in conformity, without any liability having arisen for the Parent Entity or for the entities comprising the Tax Group.

## 19. Public Authorities

The detail of the receivables from and payables to public authorities at 31 December 2020 and 2019 is as follows:

Concept	Thousands of euros							
	31/12/20				31/12/19			
	Assets		Liabilities		Assets		Liabilities	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Accrued social security taxes	-	29	-	23,503	-	11	-	22,102
Regular taxes								
VAT (Note 9-b)	21,782	62,881	-	23,355	32,058	79,247	-	38,441
Other	-	1,439	-	72	-	4,705	-	72
Personal income tax withholdings	-	-	-	16,901	-	-	-	13,192
Income Tax (Note 3-k)	-	8,774	-	15,044	-	12,417	-	9,113
Grants receivable	-	10,333	-	-	-	12,991	-	-
<b>Total</b>	<b>21,782</b>	<b>83,456</b>	<b>-</b>	<b>78,875</b>	<b>32,058</b>	<b>109,371</b>	<b>-</b>	<b>82,920</b>

In 2011 the Parent and certain subsidiaries were authorised to file consolidated VAT returns.

Included in these balances are payables relating to deferred payments to foreign public entities amounting to EUR 5,229 thousand.

## 20. Short and long-term provisions

The changes in "Short-term Provisions" and "Long-term Provisions" in 2020 and 2019 were as follows (in thousands of euros):

	Long-term provisions	Short-term provisions				Total short-term provisions
		Contractual liability	Warranty and support services	Litigation	Other provisions	
<b>Balance at 31/12/18</b>	<b>6,877</b>	<b>58,312</b>	<b>157,639</b>	<b>2,798</b>	<b>6,221</b>	<b>224,970</b>
Changes in the scope of consolidation	213	-	135	-	281	416
Net charge for the year	44,474	15,868	69,316	274	6,311	91,769
Amounts used charged to profit or loss	(3,117)	(20,537)	(57,943)	(1,131)	(317)	(79,928)
Translation differences	(761)	(60)	671	3	12	626
Transfers	103	(656)	816	-	(635)	(475)
<b>Balance at 31/12/19</b>	<b>47,789</b>	<b>52,927</b>	<b>170,634</b>	<b>1,944</b>	<b>11,873</b>	<b>237,378</b>
Net charge for the year	4,151	23,569	115,945	2,486	2,807	144,807
Amounts used charged to profit or loss	(1,518)	(29,954)	(69,466)	(394)	(3,577)	(103,391)
Translation differences	(11,615)	(1,028)	(7,524)	(77)	(1,214)	(9,843)
Transfers	7,690	(363)	1,311	(21)	68	995
<b>Balance at 31/12/20</b>	<b>46,497</b>	<b>45,151</b>	<b>210,900</b>	<b>3,938</b>	<b>9,957</b>	<b>269,946</b>

### Long-term provisions

As a result of the administrative decision in July 2019, arising as result of the investigation initiated in 2013 into the participation of various rolling stock manufacturers in possible anti-competitive practices described in Note 26, the Group keeps a provision amounting to EUR 28 million (31 December 2019: EUR 38 million). In 2020, as a consequence of the depreciation of the Brazilian real, the effect of the translation differences gave rise to a reduction in the provision of approximately EUR 11 million.

At 31 December 2020, the Group had recognised under "Long-Term Provisions" EUR 8,199 thousand relating to the negative value of its ownership interests in companies accounted for using the equity method (see Note 9).

Also, the Group recognises employment-related provisions under "Long-term Provisions" for present obligations arising from past events that it expects to settle when they fall due through an outflow of resources. The amount is based on the best estimate made by the Parent's directors at the reporting date and the obligations are recognised at the present value whenever the financial effect is material.

#### *Contractual liability and warranty and support services*

The provisions for contractual liability relate mainly to provisions for onerous contracts. The provisions for warranty and support services relate to estimated future costs (based on historic data and technical analyses) to which the Group is committed in accordance with the warranty period provided for in the contracts. The expected period to settle the provisions varies on the basis of their nature, the average approximate period being:

- Contractual liability: 1-2 years
- Warranty: 1-4 years (varies on the basis of the contractual arrangement to which it relates)

The consolidated companies recognised an expense of EUR 41,416 thousand under "Other Operating Expenses" in the accompanying consolidated statement of profit or loss for 2020 (2019: income of EUR 10,756 thousand with a credit to the aforementioned caption) relating to the difference between the provisions required in this connection at 2020 year-end and the provisions recognised at 2019 year-end.

The expenses incurred in 2020 and 2019 in connection with the provision of contractual warranty services (approximately EUR 69,466 thousand and EUR 57,943 thousand, respectively) were recognised under "Procurements" and "Staff Costs" in the accompanying consolidated statements of profit or loss for 2020 and 2019.

## **21. Other non-current/current assets and liabilities**

The detail of the Group's "Other Assets" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Assets for the right to recover (Note 3-f)	6,592	7,208
<b>Other non-current assets</b>	<b>6,592</b>	<b>7,208</b>
Prepayments	9,737	17,130
<b>Other current assets</b>	<b>9,737</b>	<b>17,130</b>

The detail of the Group's "Other Liabilities" at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/20	31/12/19
Advances received on sales or services rendered (Note 12)	65,394	51,059
Advances received on operating leases (Note 8)	19,587	28,935
Refund liabilities	8,933	6,643
<b>Other non-current liabilities</b>	<b>93,914</b>	<b>86,637</b>
Advances received on operating leases (Note 8)	2,711	4,257
Unearned revenue	1,484	1,666
Refund liabilities	468	1,352
<b>Other current liabilities</b>	<b>4,663</b>	<b>7,275</b>

As detailed in Note 3-f, certain bus sale agreements grant a right to recover to the customers. If it is determined that the contract is an operating lease, the billings received in advance are recognised under "Advances Received on Operating Leases". If, on the other hand, it is concluded that the contract is a sale with a right of return, the value of the asset to be repurchased by the company is recognised under "Assets for the Right of Return" and the amount expected to be paid to recover the asset is recognised under "Refund Liabilities".

## **22. Income and expenses**

### **a) Procurements**

	Thousands of euros	
	2020	2019
Materials used (*)	1,236,308	1,157,466
Work performed by other companies	242,498	231,312
<b>Total</b>	<b>1,478,806</b>	<b>1,388,778</b>

(\*) 69% in euros, and the remainder mainly in US dollars, pounds sterling and Polish zlotys (2019: 66% in euros).

### **b) Other operating expenses**

	Thousands of euros	
	2020	2019
Outside services	317,738	371,072
Taxes other than income tax	3,760	4,710
Change in operating provisions and allowances and other (Notes 12 and 20)	44,119	23,605
Other current operating expenses	762	8,711
<b>Total</b>	<b>366,379</b>	<b>408,098</b>

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries amounted to EUR 1,285 thousand in 2020 (2019: EUR 1,263 thousand). Of this amount, EUR 660 thousand relate to the annual audit of companies audited by member firms of the Deloitte worldwide organisation (2019: EUR 659 thousand). In addition, fees for other professional services provided by the principal auditor amounting to EUR 236 thousand were billed in 2020 (2019: EUR 165 thousand), EUR 181 thousand for audit-related attest services including six-monthly reviews (2019: EUR 144 thousand), EUR 7 thousand for tax services (2019: EUR 7 thousand) and the remainder for other services.

### **c) Information on the environment**

In 2020 investments made in systems, equipment and facilities designed for environmental protection and improvement amounted to EUR 2,971 thousand (2019: EUR 2,256 thousand).

The Group did not receive any environmental grants in 2020.

At 31 December 2020 and 2019, the Group did not have any litigation in progress or contingencies relating to environmental protection and improvement. The Group companies' Directors do not expect any material liabilities to arise as a result of the Group's environmental activities and, accordingly, the accompanying consolidated balance sheet does not include any provisions in this connection.

In 2020 the Group incurred environmental expenses amounting to EUR 1,726 thousand (2019: EUR 825 thousand).

### **d) Grants related to income**

Most of the grants transferred to profit or loss in 2020 and 2019 related to grants awarded under various Spanish ministerial and European programme calls, in respect of which all the costs to be supported were incurred.

Grants must be refunded together with the related market interest if the R&D investments envisaged under the projects are not ultimately made.

The grants related to income recognised in 2020 under "Other Operating Income" in the accompanying consolidated statement of profit or loss amounted to EUR 5,366 thousand (2019: EUR 4,633 thousand).

### **23. Average headcount and staff costs**

The average headcount in 2020 and 2019 is as follows:

Professional category	Average number of employees	
	2020	2019
Board members	2	2
Senior executives	10	11
Employees	6,282	5,894
Manual workers	6,788	6,577
<b>Total (*)</b>	<b>13,082</b>	<b>12,484</b>

(\*) At 31 December 2020, there were 13,057 employees (31 December 2019: 13,179 employees).

The breakdown, by gender, of the average headcount in 2020 and 2019 is as follows:

Professional category	2020		2019	
	Men	Women	Men	Women
Board members	1	1	1	1
Senior executives	9	1	10	1
Employees	4,651	1,631	4,364	1,530
Manual workers	6,479	309	6,282	295
<b>Total</b>	<b>11,140</b>	<b>1,942</b>	<b>10,657</b>	<b>1,827</b>

At 31 December 2020, the Parent's Board of Directors comprised 7 men and 4 women (2019: 7 men and 3 women).

The detail of staff costs is as follows (in thousands of euros):

	2020	2019
Wages and salaries (Note 15)	517,528	490,537
Social security costs	145,902	138,050
Other expenses (Note 3-j)	31,609	26,020
<b>Total</b>	<b>695,039</b>	<b>654,607</b>

"Staff Costs - Wages, Salaries and Similar Expenses" in the accompanying consolidated statement of profit or loss includes an amount of EUR 4,224 thousand relating to costs borne by the Group for restructuring, mainly in the companies Trenes de Navarra, S.A.U. and Euromaint Group.

### **24. Information on the Board of Directors**

#### ***a) Remuneration and other benefits of directors***

In 2020 additional to the portion relating to the note 3-j description, the total remuneration of the Parent's Board of Directors amounted to approximately EUR 1,716 thousand (2019: EUR 1,907 thousand) in relation to salaries, life insurance, attendance fees and fixed compensation. During 2020, the Parent made contributions to long-term savings plans, instrumented by a long-term collective savings insurance under the defined contribution system, from which the Parent is a policy holder and beneficiary, for an amount of EUR 1,300 thousand (2019: EUR 1,300 thousand). At 31 December 2020 and 2019, neither the Board of Directors of the Parent nor the boards of the subsidiaries had granted any advances, guarantees or loans to their current or former directors.

In 2020 EUR 67 thousand were paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2019: EUR 59 thousand).

## **b) Information regarding situations of conflict of interest involving the directors**

In 2020 and 2019 neither the members of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. nor persons related to them as defined in the Spanish Limited Liability Companies Law notified the other members of the Board of any direct or indirect conflict of interest that they might have with the Parent.

## **25. Remuneration of senior executives**

Remuneration of the Parent's senior executives, per the binding definition of "Senior Executives" in the Corporate Governance Report, amounted to EUR 2,369 thousand in 2020 (2019: EUR 3,008 thousand).

In 2020 and 2019 there were no other transactions with senior executives outside the ordinary course of business.

## **26. Other disclosures**

### **a) Guarantees and other contingent assets and liabilities**

At 31 December 2020, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 3,532 million (31 December 2019: EUR 3,331 million) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 8.4 million related to guarantees for the refundable grants and advances granted by the Ministry of Science and Technology (Note 15) and other government agencies (31 December 2019: EUR 10.6 million); and EUR 58.2 million related to the guarantees provided for the future contribution the Group will make in 2024 and 2027 in the investees Momentum Trains Holding Pty Ltd and TransJerusalem J.Net Ltd (31 December 2019: EUR 17.5 million).

In March 2014, following the 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 rendered its administrative decision and thereby ordered the subsidiary to pay a penalty amounting to BRL 167,057,982.53 (EUR 26,211 thousand) and recommended the competent authorities not to grant the subsidiary certain tax benefits for five years. The Group provisioned this amount in 2019 with a charge to "Other Operating Expenses" in the accompanying consolidated statement of profit or loss and a credit to "Long-Term Provisions" in the accompanying consolidated balance sheet (EUR 37,872 thousand at the 2019 average exchange rate) (see Note 20). The amount of the fine was increased by the related interest cost in accordance with the Brazilian Special System for Settlement and Custody (SELIC) interest rate and EUR 815 thousand were recognised in 2020 with a charge to "Finance Costs" in the accompanying consolidated statement of profit or loss (2019: EUR 958 thousand). At the date of authorisation for issue of these consolidated financial statements, the dependent company has appealed the CADE decision judicially after the CADE's administrative process was completed.

The subsidiary rejects CADE's assessment of events when imposing the aforementioned penalty and alleges that its actions in relation to the matter under investigation were always carried out in strict compliance with the applicable legislation. The subsidiary's legal advisers consider that there is reasonable chance that the final amount of the penalty imposed will be reduced to a quantity substantially lower than the aforementioned amount, all without prejudice to the possibility of the fine being completely annulled. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 137 thousand. At the present date, the decision on an extraordinary appeal to unblock the account is currently being awaited.

Also, as a result of the investigations conducted by CADE, other authorities, including the Sao Paulo State Public Prosecutor, initiated court against which the Group has filed the corresponding defences. Similarly, and as a result of CADE's investigations, an administrative proceeding was initiated by the Brazilian Court of Auditors in relation to which the subsidiary submitted its preliminary pleas in the first half of 2016. Subsequent to the ruling of the Court of Auditors which considered the existence of irregularities of any kind to be unproven, a request was made for these proceedings to be closed and dismissed. This request is awaiting a decision. Lastly, also as a result of CADE's investigations, an administrative proceeding was



initiated by the São Paulo Court of Auditors in relation to which the subsidiary submitted its initial pleadings in the second half of 2018.

The CAF Group continues to defend its interests in these proceedings. However, at the reporting date it was not possible to determine the result or the impact that these proceedings might have on the Group's consolidated financial statements should the outcome be unfavourable and, therefore, no liabilities were recognised therein in this connection.

In addition, the CAF Group subsidiary in Brazil is part of a consortium in Brazil, the purpose of which is the performance of a construction contract for a new tramway and the supply of rolling stock for the tramway. CAF's scope in the consortium basically entails the supply of the rolling stock and the signalling. This project has given rise to various administrative and court proceedings involving analysis of the potential termination of the contract, the imposition of damages, fines and penalties or the potential breach of contract by both the Consortium and the customer, mainly in relation to the civil engineering works, among other issues. Both the Consortium and the CAF Group subsidiary in Brazil have contested these proceedings in court. In relation to the issue of breach of contract, CAF's legal advisers consider that the Consortium has solid arguments to justify its defence and to conclude that the non-completion of the work is the result of the customer not complying with its commitments. Whatever the case may be, should the court find against the Consortium for breach of contract, since the breaches are mainly attributable to other members of the Consortium, CAF could claim the potential losses from such members (see Note 12).

At 31 December 2020, the Group was involved in litigation with a customer as a result of a project in which mutually submitted claims were made due to delays in achieving the contractual milestones signed by the consortium to which CAF belongs. The litigation is in progress and, therefore, it is difficult to assess its possible impact; however, the Parent's directors consider that the likelihood of this situation giving rise to losses for the Group is low, since there are causes that have given rise to delays that can in no case be attributed to the consortium, the amounts claimed are greater than the damage caused to the customer, and there are claims for cost overruns incurred by the consortium attributable to the customer. At 2019 year-end, a report justifying the delays was issued by an independent expert and no decision had yet been handed down in this proceeding at the date of authorisation for issue of these consolidated financial statements.

On 27 August 2018, the Spanish National Markets and Competition Commission ("CNMC") instituted penalty proceedings in connection with purported anti-competitive practices against various companies, which included CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. as it is jointly and severally liable. On 15 September 2020, the Statement of Objections was issued. CAF Signalling, S.L.U. filed pleadings against the Statement of Objections. At the date of authorisation for issue of these consolidated financial statements the investigation remains open, awaiting the proposed judgment and, subsequently, the ruling of the Spanish National Markets and Competition Commission (CNMC), which will foreseeably be handed down in the second half of 2021. This resolution can be subject to appeal for judicial review at the National Appellate Court.

CAF is employing the legal actions to which it is entitled to defend its interests, and is at present unaware of the conduct and practices of which CAF Signalling, S.L.U. and Construcciones y Auxiliar de Ferrocarriles, S.A. are accused. The investigation is ongoing at 31 December 2020.

#### ***b) Disclosures on the average period of payment to suppliers***

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	<b>2020</b>	<b>2019</b>
	Days	Days
Average period of payment to suppliers	88.96	86.18
Ratio of transactions settled	88.72	86.90
Ratio of transactions not yet settled	89.61	83.94
	Thousands of euros	Thousands of euros
Total payments made	731,898	905,557
Total payments outstanding	267,623	234,650

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to Suppliers" and "Other Payables" under current liabilities in the accompanying consolidated balance sheet.

The statutory maximum payment period applicable to the Parent in 2020 under Law 3/2004, of 29 December, on combating late payment in commercial transactions and pursuant to the transitional provisions contained in Law 15/2010, of 5 July, was 60 days, unless no payment date or period has been agreed, in which case the maximum payment period would be 30 days.

## **27. Events after the reporting period**

At 31 December 2020, the firm backlog, net of progress billings, amounted to approximately EUR 8,807,278 thousand (31 December 2019: EUR 9,446,468 thousand) (Note 11).

In January 2021, the RATP transport operator selected the consortium formed by CAF and Bombardier as the preferred bidder to supply 146 trains to be operated jointly by RATP and SNCF on the RER B suburban line that crosses Paris from North to South. This selection was ratified in February 2021.

## **28. Explanation added for translation to English**

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (Note 2-a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

## **APPROVAL BY THE BOARD OF DIRECTORS**

MR ANDRÉS ARIZKORRETA GARCÍA

MR JAVIER MARTINEZ OJINAGA

MR JUAN JOSÉ ARRIETA SUDUPE

MR LUIS MIGUEL ARCONADA ECHARRI

MS CARMEN ALLO PÉREZ

MS ANE AGIRRE ROMARATE

MR JULIÁN GRACIA PALACÍN

MR IGNACIO CAMARERO GARCÍA

MS IDOIA ZENARRUTZABEITIA BELDARRAIN

MR MANUEL DOMÍNGUEZ DE LA MAZA

MS MARTA BAZTARRICA LIZARBE

Certificate issued by the Secretary of the Board of Directors attesting that, following the authorisation for issue of the consolidated financial statements and consolidated directors' report of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and Subsidiaries composing the CAF Group (consolidated) for the year ended 31 December 2020 by the Board of Directors at its meeting on 25 february 2021, the directors have signed this document, consisting of 191 sheets numbered sequentially from 1 to 191, inclusive, signed by each of the directors at the end of the document.

San Sebastián, 25 february 2021.

Approved by

THE CHAIRMAN

MR ANDRÉS ARIZKORRETA GARCÍA

Signed

THE SECRETARY OF THE BOARD

MS MARTA BAZTARRICA LIZARBE



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Certificate issued by the Secretary of the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A., Marta Baztarrica Lizarbe, for the purposes of Article 8.1.b) of Royal Decree 1362/2007, of 19 October, whereby each and every member of the Board of Directors states that, to the best of their knowledge, the separate and consolidated financial statements for 2020, authorised for issue at the meeting held on 25 February 2021 and prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and results of Construcciones y Auxiliar de Ferrocarriles, S.A. and of the companies included in the scope of consolidation, taken as a whole, and that the directors' reports approved together with the financial statements contain a fair analysis of the business performance, results and position of Construcciones y Auxiliar de Ferrocarriles, S.A. and of the companies included in the scope of consolidation, taken as a whole, and a description of the main risks and uncertainties that they face. I attest that this certificate has been signed, evidencing approval thereof, by each and every one of the Company's directors, the names and surnames of which are shown below.

San Sebastián, 25 February 2021

Signed: Ms Marta Baztarrica Lizarbe

MR ANDRÉS ARIZKORRETA GARCÍA  
CHAIRMAN

MR JAVIER MARTÍNEZ OJINAGA  
DIRECTOR

MR JUAN JOSÉ ARRIETA SUDUPE  
DIRECTOR

MS CARMEN ALLO PÉREZ  
DIRECTOR

MR LUIS MIGUEL ARCONADA ECHARRI  
DIRECTOR

MS ANE AGIRRE ROMARATE  
DIRECTOR

MR JULIÁN GRACIA PALACÍN  
DIRECTOR

MR IGNACIO CAMARERO GARCÍA  
DIRECTOR

MS IDOIA ZENARRUTZABEITIA BELDARRAIN  
DIRECTOR

MR MANUEL DOMÍNGUEZ DE LA MAZA  
DIRECTOR

MS MARTA BAZTARRICA LIZARBE  
DIRECTOR AND SECRETARY OF THE BOARD