



WHEN TRUST MATTERS



CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. GREEN AND SUSTAINABILITY-LINKED FINANCING FRAMEWORK 2024



Document title: Second Party Opinion on Construcciones y Auxiliar de Ferrocarriles, S.A. Green and Sustainability-Linked Financing Framework 2024

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This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial Framework being assessed.

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Disclaimer

Our assessment relies on the premise that the data and information provided by the client to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organisation were applied as per the scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this assessment.

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¹ DNV Code of Conduct is available from the DNV website (www.dnv.com)

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. GREEN AND SUSTAINABILITY-LINKED FINANCING FRAMEWORK 2024

DNV INDEPENDENT ASSESSMENT

Scope and Objectives

CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereafter referred to as "CAF") is a multinational group with more than 100 years of experience offering integral transport systems at the forefront of technology and high added value in sustainable mobility to its customers. CAF is a multi-activity and multi-plant company and a benchmark in the railway sector, offering its customers a wide and flexible range of products on the market, from integral transport systems to rolling stock (rail and bus), components, infrastructures, signalling and services (maintenance, refurbishment, and financing).

CAF has developed and updated a Green Financing and Sustainability Linked Financing Framework (the "Framework" or "GSFF"), under which they can mobilise financial instruments for the purpose of financing their corporate structure, such as loans, credits, etc., with a focus on ESG-KPI linked financing (or linked to performance on sustainability targets/indicators).

The Framework enables issuance of green bonds, green loans and other financing instruments used for eligible assets and projects applying "Green Bonds" (GBP) and "Green Loan" (GLP) according to GBP/GLP. In addition, the framework enable issuance of ICMA's Sustainability-Linked Bond Principles (SLBP) 2020, the LMA's Sustainability-Linked Loan Principles (SLLP) 2023 or other financial instruments to finance and support activities that will contribute to the United Nations Sustainable Development Goals and the Company's Sustainability Strategy, through:

- Leadership in sustainable mobility, committed to a culture of excellence and reliability, which receives the highest degree of customer satisfaction while contributing to the progress of society.
- Challenging roadmap "Deep Decarbonization Path" leading the transition of mobility solutions towards the goal of achieving zero net emissions by 2045, promoting the use of renewable energies, investment in R+D+i for the development of sustainable products and technologies and giving continuity to the strategy defined in CAF's ESG Equity Story and continuing to be above the average of comparable companies in ESG rating agency valuations.

DNV Business Assurance España S.L ("DNV") has been commissioned by CAF to provide an eligibility assessment of the GSFF Framework under which it can finance and support activities with a general purpose. Our objective has been to provide an assessment on whether the Framework meets the criteria established within the International Capital Market Association (ICMA) Green Bond Principles (GBP) and Sustainability-Linked Bond Principles 2020 (SLBP) and the Loan Market Association (LMA) Green Loan Principles (GLP) and Sustainability-Linked Loan Principles 2023 (SLLP).

No assurance is provided regarding the financial performance of any financial instrument, the value of any investments in a financial instrument, or the long-term environmental benefits of any transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of CAF and DNV

The management of CAF has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform CAF's management and other interested stakeholders in the Framework as to whether the established criteria have been met, based on the information provided to us.

In our work, we have relied on the information and the facts presented to us by CAF. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by CAF management and used as a basis for this assessment were not correct or complete.

Basis of DNV's opinion

We have adapted our green eligibility assessment methodology to create a CAF- specific Green Bond/Loan Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 3 and 4. Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria from the GBP and GLP against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond/loan must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond/loan should outline the process it follows when determining eligibility of an investment using green bond/loan proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond/loan proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

As per our Protocol, the criteria from the SLLP and the SLBP against which the Framework has been reviewed are grouped under the five Principles:

- **Principle One: Selection of Key Performance Indicators (KPIs).** The issuer of a sustainability-linked finance instrument should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPT). The KPI should be relevant, core and material to the issuer's core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.
- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.

- **Principle Three: Bond/Loan Characteristics.** The finance instrument will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
- **Principle Four: Reporting.** Issuers should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the instrument's financial and/or structural characteristics, with such information to be provided to investors participating in the bond at least once per annum.
- **Principle Five: Verification (Post-issuance).** The Issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPT(s) should be made publicly available.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by CAF in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a CAF-specific Protocols, adapted to the purpose of the Framework, as described above and in Schedule 3 and 4 to this assessment.
- Assessment of documentary evidence provided by CAF on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with CAF management, as well as review of relevant documentation and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

DNV's findings regarding Use of Proceeds financing

DNV's findings regarding Use of Proceeds financing are listed below, with further detail provided in Schedule 3:

1. Principle One: Use of Proceeds.

CAF intends to use the proceeds from issuance of Bonds/Loans to finance or re-finance green projects, as defined in Schedule 1, which contribute to the achievement of the SDGs, within the categories of:

- Clean Transportation
- Climate change mitigation

All green projects, including those for re-financing, will be reviewed according to eligibility criteria as defined in the GSFF. Existing Eligible Projects refers to assets initiated up to 3 years prior to the issuance of any Green Bond/Loan issued under this Framework.

DNV concludes that eligible categories outlined in the Framework are consistent with the categories outlined in the GBP and GLP.

2. Principle Two: Process for Project Evaluation and Selection.

DNV has reviewed the Framework and evidence which describes the process through which projects are evaluated and selected. A CAF's sustainability function has been created with the aim of evaluate, supervise and coordinate all the aspects related the evaluation and selection of eligible projects according to defined criteria.

DNV concludes that CAF has a well-established governance process in place, has appropriately described the process used to evaluate, select, and track all eligible projects to be financed, and that this is in line with the requirements of the GBP and GLP.

3. Principle Three: Management of Proceeds.

DNV has reviewed the Framework and evidence which states that use of proceeds of any Bond and Loan issuance will be directed to financing and re-financing CAF's green projects by CAF Group's Finance Department.

The net proceeds will be credited to eligible projects, tracked, and attested to by CAF through a green bond and loan register that will be created for the purpose of monitoring the eligible projects/assets and the allocation of proceeds to these projects/assets.

CAF intends for the full proceeds to be disbursed at point of issuance, however any funds pending allocation will be placed in CAF's liquidity portfolio.

DNV has reviewed evidence and can confirm that CAF has committed to appropriately managing the proceeds arising from future Green Financing Instrument issuances, and this is in line with the requirements of the GBP and the GLP.

4. Principle Four: Reporting.

DNV can confirm CAF has committed to annual reporting specific to any Bond and Loan issuance on the allocation of the expenditure and the balance remaining until the tracked proceeds are fully allocated to eligible projects.

CAF has also committed to provide impact reporting on the expected environmental impacts of the eligible green projects financed. CAF clearly outlines the proposed impact indicators for each eligible category.

DNV concludes that CAF has made appropriate plans to produce reporting on the allocation and the environmental impacts of the issuances and that this is in line with the requirements of the GBP and GLP.

DNV's findings regarding Sustainability Linked financing

DNV's findings regarding Sustainability Linked financing are listed below, with further detail provided in Schedule 4.

1. Principle One: Selection of Key Performance Indicators (KPIs).

CAF's Sustainability Strategy is driven by:

- Leadership in sustainable mobility, committed to a culture of excellence and reliability, which receives the highest degree of customer satisfaction while contributing to the progress of society.
- Challenging roadmap "Deep Decarbonization Path" leading the transition of mobility solutions towards the goal of achieving zero net emissions by 2045, promoting the use of renewable energies, investment in R+D+i for the development of sustainable products and technologies and giving continuity to the strategy defined in

CAF's ESG Equity Story and continuing to be above the average of comparable companies in ESG rating agency valuations.

After reviewing the evidence, DNV can confirm that CAF has chosen four Key Performance Indicators (KPIs) that are relevant, core and material to CAF's overall business and of high strategic significance to the Group's current and/or future operations:

- KPI 1: Reduction scope 1 and 2 GHG emissions (%).
- KPI 2: Reduction scope 3 GHG emissions (tkm CO_{2,e}/km*passanger).
- KPI 3: Alignment with the European Taxonomy of Sustainable Activities (%)
- KPI 4: Frequency Index: number of accidents generated with more than one day sick leave vs total worked hours

Baseline years are 2019 for KPI1 and KPI2, 2022 for KPI3 and 2018 for KPI4. Target dates are set to 2026 for all KPIs. Historical data are available for all KPIs since their baseline years.

Based on the evidence reviewed, DNV can confirm that the KPIs are relevant, meaningful, and material to the company's overarching sustainability strategy. The rationale and process for KPI 1, 2, 3 and 4 selections, as well as their definition, measurability and verifiability are clearly defined and are deemed to be meaningful, reliable and in accordance with the SLLP and SLBP.

2. Principle Two: Calibration of Sustainability Performance Targets (SPT).

Aligned with the KPIs outlined above, CAF has set the following SPTs:

CAF will assess its sustainability performance against the following Sustainability Performance Targets (SPTs):

- SPT 1: Reduce Scope 1 and 2 GHG emissions by 30,0%, by 2026 from 2019 as base year.
- SPT 2: Reduce Scope 3 GHG emissions by 40,0% by 2026 from 2019 as base year.
- SPT 3: Alignment with the European Taxonomy of Sustainable Activities, 82% by 2026 from 2022 as base year.
- SPT4: Number of accidents generated with more than one day sick leave vs total worked hours 13.7 by 2026 from 2022 as base year.

DNV can confirm that CAF has established a set of GHG emission reduction targets for Scope 1&2 and Scope 3, aligned with CAF's sustainability strategy and the goal of becoming Net Zero by 2045. These GHG reduction targets are intended to match a carbon reduction pathway required to meet the objectives of the Paris Agreement in line with 2°C scenario. The targets have been submitted to SBTi, with no resolution yet.

DNV notes that intermediate targets for SPT 1 in years 2024-25 are all set to 30%, above the targets submitted to SBTi, following the fact that this reduction was achieved already in 2023 (32%) as a result of successful reduction initiatives. CAF has calibrated the ambition of these intermediate targets taking into account a significant increase in sales forecasted for the coming years 2024-26, meaning that keeping the same level of GHG emissions in absolute terms is challenging and results in a significant reduction in relative terms..

DNV can confirm that SPT3 is in line with EU Taxonomy since CAF has assessed eligible/non-eligible economic activities according to total turnover, investments in fixed assets (CapEx) and operating expenses (OpEx).

DNV can confirm that SPT4 is in line with CAF Health and Safety strategy to guarantee a gradual reduction in the accident rate among employees with main actions as: Drawing up annual occupational risk prevention plans,

Annual updating of health and safety protocols and Development of training and health and safety awareness programmes.

DNV can confirm that CAF has calibrated the ambition of these SPTs against own and peer's performance, and best practice. Given that no internationally recognized benchmark is available for comparison, CAF has calibrated the ambition of SPT 4 against peer's performance using qualitative information available about similar initiatives and results of their peers.

DNV reviewed the evidence demonstrating the credibility of the company strategies to achieve the SPTs and can conclude that CAF has a clear roadmap to meeting the SPTs.

Based on the work undertaken, DNV can confirm that the SPT 2, SPT 3 and SPT 4 represent a material improvement beyond a "Business as Usual" trajectory and is consistent with CAF's overall sustainability and set on a predefined timeline in accordance with the SLLP and the SLBP.

Based on the work undertaken, DNV can confirm that SPT 1 is consistent with CAF's goal of becoming Net Zero by 2045 and represents a challenging trajectory given the sales forecast for years 2024-26.

3. Principle Three: Loan/Bond Characteristics.

A step-up coupon or margin adjustment will be applied according to the achievement or not of the selected SPTs on the specific target observation dates.

If, for any reason, the performance level against each SPT cannot be calculated or observed, the step-up coupon or increased margin adjustment of the instrument will be applicable. For some short-term instruments where a step-up coupon or increased margin adjustment is not feasible, other forms of economic impact in the issuer / borrower will be applied, as for example donations to environmental and/or social projects.

Based on the evidence reviewed, DNV can confirm that the step-up coupon or increased margin characteristics is in line with the requirements of the SLLP and SLBP.

4. Principle Four: Reporting.

DNV can confirm CAF will publish the following SLB/SLL related information in its Integrated Annual Report available on its website:

- Information on the performance and monitoring of the selected KPIs.
- Verification assurance report relative to the SPTs outlining the performance against the SPT and the related impact.
- Any relevant information enabling investors to monitor the progress of the SPTs.

DNV can confirm CAF has committed to reporting in line with the requirements of the SLBP and SLLP.

5. Principle Five: Verification.

DNV can confirm CAF has committed to report the performance and related impact of KPI/SPTs on annual basis as part of CAF's Sustainable Finance Report. The report will be verified by an appropriate qualified independent party of assurance and will be made available on CAF's website.

DNV can confirm CAF has committed obtaining verification in line with the requirements of the SLLP and SLBP.

DNV's opinion

On the basis of the information provided by CAF and the work undertaken, it is DNV's opinion that CAF's Green and Sustainability-Linked Financing Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of green bonds within the Green Bond Principles 2021 and green loans within the Green Loan Principles 2023. It is DNV's opinion that CAF's Sustainability-Linked Financing Framework is aligned with criteria established in the Protocol, the Sustainability Linked Bond Principles 2020 and the Sustainability Linked Loan Principles 2023.

for DNV Business Assurance Spain, S.L.U

Madrid, 18 April 2024.



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About DNV




Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK

ICMA Eligible Project Categories	Description of Projects to be Financed	UN SDG Alignment
Eligible Green Project Categories:		
Climate Change Mitigation	<u>Investments dedicated</u> to: Manufacture of hypo-carbon technologies for transport	
Clean Transportation	<u>Investments dedicated</u> to: Infrastructure for rail transport	
n.a.	<u>Investments dedicated</u> to: Data-driven solutions to reduce greenhouse gas emissions	

SCHEDULE 2: DESCRIPTION KEY PERFORMANCE INDICATORS AND SUSTAINABILITY PERFORMANCE TARGETS.

Key Performance Indicator (KPI)	Sustainability Performance Target (SPT)	SDG Alignment
KPI 1: Reduction scope 1 and 2 GHG emissions (%).	SPT 1: Reduce Scope 1 and 2 GHG emissions by 30,0%, by 2026 from 2019 as base year.	
KPI 2: Reduction scope 3 GHG emissions (tkm CO_{2,e}/km*passanger).	SPT 2: Reduce Scope 3 GHG emissions by 40% by 2026 from 2019 as base year.	
KPI 3: Alignment with the European Taxonomy of Sustainable Activities (%).	SPT 3: Alignment with the European Taxonomy of Sustainable Activities 82% by 2026 from 2022 as base year.	
KPI 4: Frequency Index: number of accidents generated with more than one day sick leave vs total worked hours	SPT4: Number of accidents generated with more than one day sick leave vs total worked hours 13.7 by 2026 from 2018 as base year.	

SCHEDULE 3: CAF-SPECIFIC GREEN BOND AND LOAN FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of bond	<p>The bond/loan must fall in one of the following categories, as defined by the Green Bond/Loan Principles (GBLP):</p> <ul style="list-style-type: none"> • Green Use of Proceeds Bond/Loan • Green Use of Proceeds Revenue Bond/Loan • Green Project Bond/Loan • Green Securitized Bond/Loan 	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> – Green and Sustainable Financing Framework CAF 2024 – Discussions with issuer 	The CAF Framework applies to Bonds/Loans falling in the category of a Green Use of Proceeds Bond/Loan.
1b	Green Project Categories	The cornerstone of a Green Bond/Loan is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> – Green and Sustainable Financing Framework CAF 2024 – Discussions with issuer 	We conclude that the Framework describes the proposed utilization of proceeds and the eligible project categories.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1c	Environmental benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 Discussions with issuer 	The GSFF outlines the expected environmental benefits that will be realised by this Bond/Loan issuance: <ul style="list-style-type: none"> GHG emissions avoided

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using Green Bond/Loan proceeds. This includes, without limitation: <ul style="list-style-type: none"> A process to determine how the projects fit within the eligible Green Projects categories identified in the GBP/GLP; The criteria making the projects eligible for using the Green proceeds; and <ul style="list-style-type: none"> The environmental sustainability objectives 	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 CAF- Sustainability Report- EINF 2023 Discussions with issuer 	DNV has reviewed the Framework and evidence which describes the process through which projects are evaluated and selected. A CAF's sustainability function has been created with the aim of evaluate, supervise and coordinate all the aspects related the evaluation and selection of eligible projects according to defined criteria. DNV concludes that CAF has a well-established governance process in place, has appropriately described the process used to evaluate, select, and track all eligible projects to be financed, and that this is in line with the requirements of the GBP and GLP.
2b	Issuer's	In addition to information disclosed	Evidence reviewed:	We conclude that, from the information provided and publicly

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
	environmental and social and governance framework	by an issuer or a borrower on its Green Bond process, criteria and assurances, Green Bond/Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 CAF- Sustainability Report- EINF 2023 Discussions with issuer 	available information, CAF's approach to managing environmental sustainability is in line with the objective of the Framework.

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green Bonds/Loans should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 Discussions with issuer 	We conclude that proceeds will be tracked in an appropriate manner and attested to by a formal internal process, which is documented in the Framework.
3b	Tracking procedure	So long as the Green Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green investments or loan disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 Discussions with issuer 	We conclude that there is a clear process in place for the tracking of the balance taking disbursements into account.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 Discussions with issuer 	CAF intends for the full proceeds to be disbursed at point of issuance, however any funds pending allocation will be placed in CAF's liquidity portfolio.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Green Bond/Loan proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	Evidence reviewed: <ul style="list-style-type: none"> Green and Sustainable Financing Framework CAF 2024 Discussions with issuer 	DNV can confirm CAF has committed to annual reporting specific to any Bond and Loan issuance on the allocation of the expenditure and the balance remaining until the tracked proceeds are fully allocated to eligible projects. CAF has also committed to provide impact reporting on the expected environmental impacts of the eligible green projects financed. CAF clearly outlines the proposed impact indicators for each eligible category. DNV concludes that this is in line with the requirements of the GBP and GLP.

SCHEDULE 4: CAF SUSTAINABILITY-LINKED FINANCING FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Selection of Key Performance Indicators (KPIs).

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy.	<p>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal.</p> <p>The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations.</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 CAF- Sustainability Report- EINF 2023 	<p>CAF’s Sustainability Strategy is driven by:</p> <ul style="list-style-type: none"> - Leadership in sustainable mobility, committed to a culture of excellence and reliability, which receives the highest degree of customer satisfaction while contributing to the progress of society. - Challenging roadmap “Deep Decarbonization Path” leading the transition of mobility solutions towards the goal of achieving zero net emissions by 2045, promoting the use of renewable energies, investment in R+D+i for the development of sustainable products and technologies and giving continuity to the strategy defined in CAF’s ESG Equity Story and continuing to be above the average of comparable companies in ESG rating agency valuations. <p>After reviewing the evidence, DNV can confirm that CAF has chosen four Key Performance Indicators (KPIs) that are relevant, core and material to CAF’s overall business and of high strategic significance to the Group’s current and/or future operation:</p> <ul style="list-style-type: none"> - KPI 1: Reduction scope 1 and 2 GHG emissions (%). - KPI 2: Reduction scope 3 GHG emissions (tkm CO₂,e/km*passanger). - KPI 3: Alignment with the European Taxonomy of Sustainable Activities (%) - KPI 4: Frequency Index: number of accidents generated with more than one day sick leave vs total worked hours

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1b	KPI – Measurability.	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e., as much as possible using an external reference or definitions to facilitate the assessment of the SPTs level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected.</p> <p>In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 -CAF- Sustainability Report- EINF 2023 	<p>Baseline years are 2019 for KPI1 and KPI2, 2022 for KPI3 and 2018 for KPI4. Target dates are set to 2026 for all KPIs. Historical data are available for all KPIs since their baseline years.</p> <p>Historical data are provided by 2019 to 2022 for KPI 1 and KPI2, 2022 for KPI3, 2018 to 2022 for KPI4 being 4 years back in time and also, available since the baseline year.</p> <p>Based on the evidence reviewed, DNV can confirm that the KPIs are relevant, meaningful, and material to the company’s overarching sustainability strategy. The rationale and process for KPI 1, 2, 3 and 4 selections, as well as their definition, measurability and verifiability are clearly defined and are deemed to be meaningful, reliable and in accordance with the SLLP and SLBP.</p>
1c	KPI – Clear definition.	<p>A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 -CAF- Sustainability Report- EINF 2023 	<p>DNV can confirm the KPIs use clear calculation methodologies and the perimeter is well-defined as stated in the Framework.</p>



2. Calibration of Sustainability Performance Targets (SPT)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting – Meaningful.	The SPTs should be ambitious, realistic, and meaningful to the issuer’s business and be consistent with the issuers’ overall strategic sustainability/ESG strategy.	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 -CAF- Sustainability Report- EINF 2023 	<p>DNV can confirm that CAF has established a set of GHG emission reduction targets for Scope 1&2 and Scope 3, aligned with CAF’s sustainability strategy and the goal of becoming Net Zero by 2045. These GHG reduction targets and intended to match a carbon reduction pathway required to meet the objectives of the Paris Agreement in line with 2°C scenario. The targets have been submitted to SBTi, with no resolution yet.</p> <p>DNV notes that intermediate targets for SPT 1 in years 2024-25 are all set to 30%, above the targets submitted to SBTi, following the fact that this reduction was achieved already in 2023 (32%) as a result of successful reduction initiatives. CAF has calibrated the ambition of these intermediate targets taking into account a significant increase in sales forecasted for the coming years 2024-26, meaning that keeping the same level of GHG emissions in absolute terms is challenging and results in a significant reduction in relative terms.</p> <p>DNV can confirm that SPT3 is in line with EU Taxonomy since CAF has assessed eligible/non-eligible economic activities according to total turnover, investments in fixed assets (CapEx) and operating expenses (OpEx).</p> <p>DNV can confirm that SPT4 is in line with CAF Health and Safety strategy to guarantee a gradual reduction in the accident rate among employees with main actions as: Drawing up annual occupational risk prevention plans, Annual updating of health and safety protocols and Development of training and health and safety awareness programmes.</p> <p>DNV can confirm that CAF has calibrated the ambition of these SPTs against own and peer’s performance, and best practice. Given that no internationally recognized benchmark is available for comparison, CAF has calibrated the ambition of SPT 4 against peer’s performance using qualitative information available about similar initiatives and results of their peers.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>DNV reviewed the evidence demonstrating the credibility of the company strategies to achieve the SPTs and can conclude that CAF has a clear roadmap to meeting the SPTs.</p> <p>Based on the work undertaken, DNV can confirm that the SPT 2, SPT 3 and SPT 4 represent a material improvement beyond a “Business as Usual” trajectory and is consistent with CAF’s overall sustainability and set on a predefined timeline in accordance with the SLLP and the SLBP.</p> <p>Based on the work undertaken, DNV can confirm that SPT 1 is consistent with CAFs goal of becoming Net Zero by 2045 and represents a challenging trajectory given the sales forecast for years 2024-26.</p>
2b	Target Setting – Meaningful.	SPTs should represent a material improvement in the respective KPIs and be beyond a “Business as Usual” trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 -CAF- Sustainability Report- EINF 2023 	<p>Based on the work undertaken, DNV can confirm that the SPT 2, SPT 3 and SPT 4 represent a material improvement beyond a “Business as Usual” trajectory and is consistent with CAF’s overall sustainability and set on a predefined timeline in accordance with the SLLP and the SLBP.</p> <p>Based on the work undertaken, DNV can confirm that SPT 1 is consistent with CAFs goal of becoming Net Zero by 2045 and represents a challenging trajectory given the sales forecast for years 2024-26.</p>
2c	Target Setting – benchmarks.	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> 1. The issuer’s own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI. 2. The SPTs relative positioning versus the issuer’s peers 	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing Framework CAF 2024 -CAF- Sustainability Report- EINF 2023 	<p>DNV can confirm that CAF has established a set of GHG emission reduction targets for Scope 1&2 and Scope 3, aligned with CAF’s sustainability strategy and the goal of becoming Net Zero by 2045. These GHG reduction targets and intended to match a carbon reduction pathway required to meet the objectives of the Paris Agreement in line with 2°C scenario. The targets have been submitted to SBTi, with no resolution yet.</p> <p>DNV notes that intermediate targets for SPT 1 in years 2024-25 are all set to 30%, above the targets submitted to SBTi, following the fact that this reduction was achieved already in 2023 (32%) as a result of successful reduction initiatives. CAF has calibrated the ambition of these intermediate targets taking into account a significant increase in sales forecasted for the coming years 2024-26, meaning that keeping the same level of GHG</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>where comparable or available, or versus industry or sector standards; and/or</p> <p>3. Systematic reference to science-based scenarios, or absolute levels (e.g., carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies.</p>		<p>emissions in absolute terms is challenging and results in a significant reduction in relative terms.</p> <p>DNV can confirm that SPT3 is in line with EU Taxonomy since CAF has assessed eligible/non-eligible economic activities according to total turnover, investments in fixed assets (CapEx) and operating expenses (OpEx).</p> <p>DNV can confirm that SPT4 is in line with CAF Health and Safety strategy to guarantee a gradual reduction in the accident rate among employees with main actions as: Drawing up annual occupational risk prevention plans, Annual updating of health and safety protocols and Development of training and health and safety awareness programmes.</p> <p>DNV can confirm that CAF has calibrated the ambition of these SPTs against own and peer's performance, and best practice. Given that no internationally recognized benchmark is available for comparison, CAF has calibrated the ambition of SPT 4 against peer's performance using qualitative information available about similar initiatives and results of their peers.</p> <p>DNV reviewed the evidence demonstrating the credibility of the company strategies to achieve the SPTs and can conclude that CAF has a clear roadmap to meeting the SPTs.</p> <p>Based on the work undertaken, DNV can confirm that the SPT 2, SPT 3 and SPT 4 represent a material improvement beyond a "Business as Usual" trajectory and is consistent with CAF's overall sustainability and set on a predefined timeline in accordance with the SLLP and the SLBP.</p> <p>Based on the work undertaken, DNV can confirm that SPT 1 is consistent with CAFs goal of becoming Net Zero by 2045 and represents a challenging trajectory given the sales forecast for years 2024-26.</p>
2d	Target setting – disclosures.	<p>Disclosures on target setting should make clear reference to:</p> <p>1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Discussions with the issuer. - Green and Sustainable Financing 	<p>DNV can confirm that following disclosures are outlined in the Framework and consistent with the SLLP and SLBP.</p> <ul style="list-style-type: none"> - Frequencies and timelines to achieve the targets. - The rationale for the baselines defined.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used.</p> <p>3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place.</p> <p>4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs.</p>	<p>Framework CAF 2024 -CAF- Sustainability Report- EINF 2023</p>	<p>– Clear description of how the company intends to reach the SPTs. DNV considers CAF's SPT's realistic.</p>

3. Bond/Loan Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Loan/Bond Characteristics – SPT Financial/structural impact.	The SLL/SLB will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<p>Including management interviews DNV also undertook a review of: - Green and Sustainable Financing Framework CAF 2024</p>	A step-up coupon or margin adjustment will be applied according to the achievement or not of the selected SPTs on the specific target observation dates. For some short-term instruments where a step-up coupon or increased margin adjustment is not feasible, other forms of economic impact in the issuer / borrower will be applied, as for example donations to environmental and/or social projects.



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Based on the evidence reviewed, DNV can confirm that the step-up coupon or increased margin characteristics is in line with the requirements of the SLLP and SLBP.</p>
3b	<p>Loan/Bond Characteristics – Fallback mechanism.</p>	<p>Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained.</p> <p>Issuers may also consider including, where needed, language in the Loan documentation to take into consideration potential exceptional events.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Green and Sustainable Financing Framework CAF 2024 	<p>If, for any reason, the performance level against each SPT cannot be calculated or observed, the step-up coupon or increased margin adjustment of the instrument will be applicable. For some short-term instruments where a step-up coupon or increased margin adjustment is not feasible, other forms of economic impact in the issuer / borrower will be applied, as for example donations to environmental and/or social projects.</p> <p>Based on the evidence reviewed, DNV can confirm that the step-up coupon or increased margin characteristics is in line with the requirements of the SLLP and SLBP.</p>

4. Reporting commitments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting.	<p>Issuers of a SLB and borrowers of SLL should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant. 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics. 3. Any information enabling investors to monitor the level of ambition of the SPTs. <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>	<p>Including management interviews DNV also undertook a review of:</p> <ul style="list-style-type: none"> - Green and Sustainable Financing Framework CAF 2024 	<p>DNV can confirm CAF will publish the following SLB related information in its annual Integrated Annual Report available on its website:</p> <ul style="list-style-type: none"> - Information on the performance and monitoring of the selected KPI. - Verification assurance report relative to the SPT outlining the performance against the SPT and the related impact. - Any relevant information enabling investors to monitor the progress of the SPT. <p>DNV can confirm CAF has committed to reporting in line with the requirements of the SLBP and SLLP.</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4b	Second Party Opinion.	Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines.	Including management interviews DNV also undertook a review of: - Green and Sustainable Financing Framework CAF 2024	CAF has committed to conducting a second party opinion on the Framework, meeting the SLLP and SLBP. This includes an assessment of the KPIs selected and associated SPTs, benchmark and baselines selected, and the credibility of the strategy to achieve them.



5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.	Including management interviews DNV also undertook a review of: - Green and Sustainable Financing Framework CAF 2024	<p>DNV can confirm CAF has committed to report the performance and related impact of KPI/SPTs on annual basis as part of 's annual Integrated Report. The report will be verified by an appropriate qualified independent party of assurance and will be made available on CAF website.</p> <p>DNV can confirm CAF has committed obtaining verification in line with the requirements of the SLLP and SLBP.</p>