

*Notice for the purpose of the UK: This document is considered to be the Tax Strategy for the purpose of complying with paragraph 16(2), Schedule 19, of Finance Act 2016 and the references to taxation must be considered to be made to UK taxation when referring to subsidiaries and/or permanent establishments to which the aforementioned regulation is applicable, for all relevant purposes and particularly with regard to: (i) risk management and governance arrangements in relation to UK taxation, (ii) attitude towards tax planning, (iii) tax risk y (iv) the approach of the group towards its dealings with HMRC ". This policy complies with the said obligations for the purposes of the Fiscal Year 2021 ending on December 31th.*

# FISCAL POLICY OF "CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF)"



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## **1.- PURPOSE**

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter, the “Company”) has the non-delegable power to decide the Company's general policies and strategies and, specifically, its fiscal strategy. Likewise, the Board of Directors is responsible for approving those operations or investments which, by virtue of their significant amount or special characteristics, are considered to present a particular fiscal risk. All this, in compliance with the provisions of articles 249 bis and 529 Third of the Ley de Sociedades de Capital<sup>1</sup>.

The purpose of this document is to define the fiscal strategy for the CAF Group (hereinafter, “CAF” or the “Group”) and to establish the Group's principles of conduct on tax matters, in accordance with the provisions of the OECD Guidelines for multinational enterprises on tax matters and its recommendations in relation to tax compliance.

## **2.- MISSION**

CAF's fiscal mission is to ensure compliance with legislation and, specifically, with the applicable tax regulations in each jurisdiction in which CAF operates, by making decisions on tax matters based on a reasonable interpretation of the tax legislation and a professional and conscientious assessment, avoiding fiscal risks and promoting a cooperative relationship with the tax authorities.

## **3.- OUR COMMITMENT**

CAF's ultimate objective is to build trust and to deliver value in the national and international markets through responsible conduct, in the area of taxation in particular. To do so, CAF has a committed team of staff, acting in accordance with the principles of good faith, loyalty and transparency.

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

As part of its fiscal responsibility, CAF is committed to maintaining a relationship of mutual trust with the Tax Authorities, in order to achieve a high level of cooperation and transparency.

Likewise, the Group undertakes to contribute towards improving communities, through the payment of taxes, incurred and collected, as a core commitment in the area of taxation to conducting the Company's business.

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<sup>1</sup> Spanish Corporate Enterprises Act 2015, approved by Royal Legislative Decree 1/2010 of 2 July, amended by Act 31/2014 of 3 December 2014.

CAF promotes an understanding of the fiscal principles governing this Policy in all its business units, thereby achieving consistent fiscal performance within the organisation.

#### 4.- SCOPE

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

Likewise, this Fiscal Policy covers all the tax obligations applicable to the Group, as well as to any applicable recording and reporting obligations.

#### 5.- PRINCIPLES OF CONDUCT ON TAX MATTERS

The principles of conduct on tax matters are based on the Code of Conduct, on CAF's Corporate Social Responsibility Policy and on the General Risk Management and Control Policy, and must serve as a guide for the conduct of all those persons and entities to which it is applicable.

Therefore, CAF's principles of conduct on tax matters are as follows:

1. Compliance at all times with its tax obligations, always seeking to meet the deadlines established by the tax regulations, for the payment of taxes and for any other tax obligations. To do so, CAF shall ensure the quality, reliability and certainty of the information and data, as well as the accuracy of its tax returns.
2. Collaboration at all times with the Tax Authorities, by fully and accurately providing any tax-related information and documentation requested by the competent tax authorities and other regulatory bodies, in the shortest possible time.
3. Avoid the use of structures, processes or systems of an opaque nature, designed exclusively for tax purposes, or with the intention of preventing Tax Administrations having knowledge of the ultimate party responsible for the activities or the ultimate owner of the assets and rights.
4. Avoid making investments or operations in or through territories classified as tax havens, in accordance with Spanish legislation<sup>2</sup>, or in territories with low or no taxation, with the sole purpose of reducing the tax burden. The investments or operations in said territories will only be permitted when they are a response to business motives and have the purpose of carrying out the activity included in the corporate purpose of CAF, subject to prior approval by the Board of Directors where legally required or established in regulations.

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<sup>2</sup> Royal Decree 1080/1991, 5<sup>th</sup> July.

5. Commitment to ensure that any actions on tax matters always have a valid economic motive.
6. Prevent and reduce, as far as possible, fiscal risks in the development of their activities, maintaining in all cases a prudent risk profile. In this framework, investments and operations that may represent a special fiscal risk will be evaluated with caution.
7. Ensure compliance at all times with obligations related to transactions between related parties, maintaining a responsible transfer pricing policy and in accordance with the arm's length principle, thus avoiding the erosion of tax bases through the use of prices not subject to fair market value adjustments.
8. The responsible management of its intangible assets, avoiding the use and generation of such assets solely for tax purposes.

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

## **6.- MONITORING AND CONTROL**

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

In this context, the Company's Economic-Finance Department shall provide the Audit Committee, for submission to the Board, the necessary information on the fiscal criteria applied during the financial year and, in particular, on the Group's level of compliance with the Fiscal Policy.

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

## **7.- REVISION AND UPDATING**

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

**8.- APPROVAL AND DISSEMINATION**

This Policy is approved by CAF's Board of Directors at its meeting held on 21 November 2017, coming into effect from that date onwards.

To ensure that the concerned parties and the Fiscal Policy target audience are familiar with the above, this shall be published on the Company's website ([www.caf.net](http://www.caf.net)) and also on the Group's corporate Portal.

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