ANNUAL REPORT / **2021**

ANNUAL REPORT 2021

The following English translation is provided by the Company for information purposes only,
based on the original and official document in Spanish available on the Company's website (www.caf.net).

In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.

This publication, which is also published in Basque and Spanish, includes the legal documentation relating to CAF and Subsidiaries.

More information on CAF and its products, together with the information required by law for shareholders
and investors, can be obtained on the website www.caf.net

LETTER FROM THE CHAIRMAN

Dear Shareholder,

As it is customary, I would like to share a few words to provide you with a concise summary of the most significant data, information and events that have taken place during the past year 2021 in relation to the CAF Group. Allow me to begin with a particularly relevant event in relation to the Company's governance, namely the appointment on 1 September of Javier Martínez Ojinaga as the new CEO, a position from which I am sure he will make an outstanding contribution to the development and future of a Company already a hundred years old, but which maintains the vision and ambition of remaining a world leader in the field of sustainable mobility. His previous experience, including his direct involvement with the CAF Group through his work as a director in recent years, ensures an orderly transition towards achieving the most important elements of our strategy: growth, profitability and sustainability.

This comes at a time when, while the worst of the pandemic is now behind us, we have yet to see a full return to normality in relation to the Group's activities as a whole. The Group's response to this situation has been resolute, by protecting people's health and safety through flexibility, preventive health measures and teleworking. We have also established online communication channels with shareholders, customers, suppliers and financial institutions. We are also providing our customers with advanced solutions for reducing their risk exposure while using our trains and buses, including air filtration and regeneration, disinfected surfaces and on-board occupancy and CO_2 measurement systems.

To succeed in this task, we have had the fantastic support of the entire CAF team, who has shown extraordinary commitment and responsibility throughout this uncertain and complex time. All of you have my sincerest gratitude.

We saw signs of recovery in 2021 in the number of people using our vehicles for their daily journeys. We also saw that the demand for mobility solutions will continue to rise as we move forwards due to the need to reduce emissions of particulate matter and pollutant gases as well as the congestion caused by car traffic. Thus, the CAF Group ended the year with an order book of 3,776 million euros, close to an all-time high and representing a ratio to sales of 1.3 times, thus strengthening our backlog and growing our future income in both the railway and bus segments.

The contracts won in the year included the consortium contract for the supply of 146 commuter trains for the Paris RER B system, 51 LRV units for Ruhrbahn Essen, and a base contract, with further options available, for more than 60 regional trains and their maintenance for 30 years for German operators VRR and NWL. All of them mark an important step towards our objective of growing in the world's main accessible rail markets, such as France and Germany. We will move even closer to achieving this objective once we complete (expected before the summer) the process of acquiring the industrial assets, order book and intellectual property relating to the highly successful Coradia Polyvalent and Talent 3 platforms in France and Germany (and nearby countries), including the Alsatian design and production plant in Reichshoffen, which will mark a turning point in terms of the CAF Group's operation in these territories.

The units destined for the aforementioned VRR and NWL contract, in addition to the 28 units requested by Swedish operator Transitio, represent CAF's entry into the promising segment of battery-powered regional trains, which is set to become the most sought-after solution in the transition from current diesel vehicles to more sustainable solutions in terms of atmospheric emissions.

The search for the most sustainable mobility solutions in urban and suburban areas is part of the transformation agenda of cities and metropolitan areas around the world. For this reason, zero-emission buses are becoming an increasingly common sight in Europe's major cities, resulting in a record year for our city bus business, Solaris.

At year-end, our order book totalled 9,640 million euros, 3.3 times the amount of consolidated annual sales, thus showing the recovery of commercial activity following the worst of the pandemic while at the same time demonstrating the volume of activity facing the Group in the medium term.

We managed to grow revenue by 7% year on year to reach 2,943 million euros, thanks to the strength of our order book – which is diverse not only geographically but also in terms of products and services – and the timely execution of ongoing projects throughout 2021.

This growth has also taken place in each and every one of our railway activities, whether in rail vehicles, services (mainly through Euromaint and the gradual recovery of traffic frequencies in Spain and in general throughout the world), or integrated transport solutions and systems (as in the case of the integrated tramway systems in Liège and Jerusalem).

In the buses segment, Solaris continued to show its strength in 2021 by matching the record business figures of the previous year, despite the added complication of the global components crisis. Sales totalled 721 million euros, corresponding to a total of 1,492 units, of which low- and zero-emission buses accounted for 41% of all buses sold. As a result, and for yet another year, Solaris remained the leading manufacturer of zero emission buses in continental Europe, with a market share of 15%; just shy of the 15.5% cumulative share reported from 2012 to 2021, during which we managed to firmly cement our leadership. This is a resolute approach to sustainability in a year in which Solaris presented its first ESG Equity Story, for which it won the award for best debut in the Responsible Business Forum's sustainability reporting competition.

The strength demonstrated by Solaris despite the impact on operations of the global electronic components crisis, plus the significant improvement in the railway business last year after dealing with the main effects of the pandemic in the previous year, led to a significant 26% year-on-year improvement in our consolidated EBITDA to 255 million euros, exceeding the figure seen prior to the pandemic. This, together with an improved financial result and a return to normal tax rates following the fluctuations observed in both items as a result of COVID-19, resulted in a consolidated net profit of 89 million euros, well above the previous year's figure and also higher than in pre-pandemic years.

The Company's financial position improved during the period, closing the year with a net financial debt position of 278 million euros, which translates into an improved debt to EBITDA ratio of 1.1 times, with liquidity remaining stable at around 1,100 million euros.

The Group's research, development and innovation activities were also fully resumed last year, in order to firmly address the core activities set out in our Innovation Plan. Among them, I would highlight the efforts made to further improve the development of digital solutions aimed at our customers, our maintenance and operation activities, at the accumulation and improved use of energy, at on-board and fixed railway signalling, and at autonomous driving, among others. Meanwhile, in the field of hydrogen-powered vehicles, where our Solaris brand is one of the market leaders, significant progress was also made by the FCH2RAIL railway project, led by CAF, for the development and validation of a prototype hydrogen-electric bimode train. The project is financed by the European Commission through its Horizon 2020 programme, and will demonstrate CAF's capabilities this year with regard to this technology, which, together with battery-powered trains, is sure to play a prominent role when it comes to replacing or rehabilitating diesel trains that still run on non-electrified tracks.

We also continued to develop the pillars of our Sustainability Policy throughout 2021. Thus, we joined and committed ourselves to the SBTi (Science Based Targets initiative) and the Race to Zero campaign, within the framework of the United Nations Framework Convention on Climate Change (UNFCCC). Furthermore, our sustainability activities have been positively assessed by the various ESG rating agencies, in some cases equalling or improving on our previous ratings, as has indeed been the case with Ecovadis, Sustainalytics and Standard & Poor's. Without a doubt, our commitment to sustainability is clear and unwavering, and our efforts and dedication in this area will undoubtedly continue this year and in the years to come.

On the basis of what has already been achieved and the favourable outlook for sustainable mobility, both rail and bus, we face the coming years with optimism, despite the uncertain outcome of events such as the components crisis and rising levels of inflation, further exacerbated by the effects of the war in Ukraine and its impact on the supply chain.

New rail and business investment is sure to follow the structural trends now taking place, such as the growing rate of urbanisation or the increase in the world population will undoubtedly lead to growing mobility needs which, supported by the decisive boost of European (European Green Deal, NextGen funds), American (Bipartisan Infrastructure Law) and global policies to champion the use of rail as a more sustainable means of travel, and the emission reduction targets established for urban centres. All this because the future will undoubtedly demand sustainable, connected, digital, safe, efficient and cost-competitive mobility; provided by organisations, such as ours, that are committed to ESG best practice in their policies, objectives and activities.

In response to these challenges, we will continue to invest in the technological development of solutions in areas such as hydrogen propulsion and energy storage and management, thus reinforcing our leadership, which has enabled us to achieve the commercial successes I mentioned earlier. We will extend our technological capabilities in certain infrastructure segments, such as signalling. We will also rely on technology to improve the effectiveness, safety and efficiency of all our operations and to reduce the environmental impact of our activities and products. We will continue to build and consolidate our value proposition to customers in end-to-end solutions and transport systems, building on our existing markets while exploring alternative markets offering great potential. We will continue to advance the comprehensive and cyber-secure digitalization of our information systems, operational processes, products and services. And we will persistently seek formulas for cost containment and process efficiency.

Before I bid you farewell, allow me to make a brief but heartfelt tribute to our Chairman for so many years, José María Baztarrica, who recently passed away. He was a crucial figure in the history of our Company, under whose leadership CAF was able to overcome the dark clouds that threatened in the 1990s to become the international benchmark in transport and mobility solutions we are today. We owe much of what we are today to his vision, tenacity and commitment. For this, my sincere gratitude.

Likewise, dear shareholder, I would also like to thank you for your continued support for this great project that is the CAF Group. Your contribution, together with that of our employees, suppliers and customers, is essential for us to continue building an increasingly robust and sustainable CAF Group in the long run.

Thank you again. My warmest regards,

Andrés Arizkorreta García
Chairman

CAF is an international benchmark company in the design and implementation of comprehensive transit systems.

CAF provides comprehensive project and engineering management which includes system design, civil work, signalling, electrification and other electromechanical systems, rolling stock supply and system operation and maintenance.

BUSES

Solaris, a subsidiary of the CAF Group, is one of Europe's leading bus manufacturers. Having supplied over 20,000 vehicles over the course of 25 years of operations in the sector, Solaris has established itself as the European electric bus market leader in terms of market share. It also offers an extensive range of products featuring cutting-edge zero emission solutions for public transport.

RAILWAY PROJECTS

LOCAL AND REGIONAL TRAINS

- AB Transitio (Sweden)
- Auckland (New Zealand)
- Caminhos de Ferro Portugueses (Portugal)
- Companhia Brasileira de Trens Urbanos (Brazil)
- Companhia Paulista de Trenes Metropolitanos (Brazil)
- Eusko Trenbideak-Ferrocarriles Vascos (ET/FV)
- Ferrocarriles Españoles de Vía Estrecha (FEVE)
- Ferrocarrils de la Generalitat de Catalunya (FGC)
- Finnish Railways (VR Ltd)
- Heathrow Airport Express (UK)
- Hong-Kong Airport Express
- Irish Rail (Ireland)
- Izban (Turkey)
- Montenegro
- Myanmar Railways (Myanmar)
- Nederlandse Spoorwegen (NS)
- Northern-Arriva (UK)
- Northern Ireland Railways (North Ireland)
- Northern Spirit (UK)
- Red Nacional de Ferrocarriles Españoles (RENFE)
- Régie autonome des transports parisiens (France)
- Regione Autonoma Friuli Venezia Giulia (Italy)
- Secretaría de Comunicaciones y Transportes (Mexico)
- Serveis Ferroviaris de Mallorca (SFM)
- Société Nationale de Chemins de Fer Français (France)
- TransPennine-First Group (UK)
- Transport for New South Wales (Australia)
- West Midlands - Abellio, JRE, Mitsui & Co (UK)
- Wales & Borders - KeolisAmey
- Zweckverband Nahverkehr Westfalen-Lippe (Germany)
- Zweckverband Schönbuchbahn (Germany)
- Zweckverband Verkehrsverbund Rhein-Ruhr (Germany)

CITY

STREETCARS

- Amsterdam
- Antalya
- Belgrade
- Besançon
- Bilbao
- Birmingham
- Boston
- Budapest
- Calgary
- Canberra
- Cádiz-Chiclana
- Cincinnati
- Cuiabá
- Debrecen
- De Lijn
- Edinburgh
- Essen
- Stockholm
- Freiburg
- Granada
- Houston
- Jerusalem
- Kaohsiung
- Lieja
- Lisbon
- Lund
- Luxembourg
- Manila
- Maryland
- Mauricio
- Nantes
- Oslo
- Seville
- Sidney
- St. Etienne
- Tallinn
- Utrecht
- Valencia
- Vélez-Málaga
- Vitoria
- Zaragoza

SUBWAY TRAINS

- Amsterdam
- Algiers
- Barcelona
- Bilbao
- Bucharest
- Brussels
- Caracas
- Istanbul
- Helsinki
- Hong Kong
- London
- Madrid
- Malaga
- Medellin
- Mexico
- Nápoles
- New Delhi
- Palma (Mallorca)
- Quito
- Rome
- Santiago de Chile
- São Paulo
- Seville
- Washington

ARTICULATED LIGHT RAILWAY

- Amsterdam
- Buenos Aires
- Monterrey
- Pittsburgh
- Sacramento
- Valencia

MAIN LINES

INTERCITY TRAINS

- Tilting trains S/598 (RENFE)
- Diesel trains S/599 (RENFE)
- Electric trains S/449 (RENFE)
- Diesel trains for Algeria
- Intercity Push-Pull Service. Ireland
- Diesel trains - Corsica
- Diesel trains - Tunisia
- Diesel trains - France
- Trains for Saudi Arabia
- Sardinia diesel trains
- Northern Ireland trains
- US trains
- Caledonian Sleeper Escocia

HIGH SPEED TRAINS

- High Speed Trains and Variable Gauge Trains S-120 and S-121 (RENFE)
- High Speed Trains for the Madrid-Seville Line
- Shuttle Trains S-104 (RENFE)
- High Speed Trains for Turkey
- High Speed Trains for Norwa


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I.1

2021 DIRECTORS' REPORT OF THE CONSOLIDATED GROUP

I.2

NON-FINANCIAL STATEMENT SUSTAINABILITY REPORT

CAF GROUP BUSINESS MODEL AND OUTLOOK

The 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.

Subject to reservations about the future evolution of COVID 19, the inflationary environment, the global components crisis and how these factors may impact the Group's commercial and industrial activity down the line, the Group aims to grow above the market, consolidate its leadership in collective and sustainable mobility, expand margins and consolidate its position as a benchmark in sustainability (ESG) performance.

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, LRVs, or locomotives.

The CAF Group offers its customers one of the widest and most flexible product ranges on the market, from integral transport systems to rolling stock (rail and bus), components, infrastructures, signalling and services (maintenance, rehabilitation and financing).

- With regard to buses, the Group offers a wide range of zero-emission full-battery metros and hydrogen fuel cell-powered buses that maintained their leadership position in Europe in 2021 too (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:

  – Europe has chosen the FCH2RAIL consortium led by CAF for the development of the first hydrogen train approved to run on general interest railway networks.

  – CAF is a member of 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

CAF GROUP BUSINESS MODEL AND OUTLOOK

In 2021, CAF continued to strengthen its positioning in strategic markets, among which we can highlight:

Germany. The world's largest accessible rail market, with an average annual volume of 4,000 million euros in rolling stock for passenger transport (source: UNIFE WRMS forecast 2020 to 2025). The Group highlights the following milestones:

1. Awarded the world's largest battery-powered rail contract for the ZV VRR and NWL transport authorities.
2. Talent 3 platform acquisition agreement. Transaction conditioned by the European Commission and related to the acquisition of Bombardier Transportation by Alstom.

France. The world's third largest accessible rail market, with an average annual volume of EUR 2.5 billion in passenger rolling stock (source: UNIFE WRMS forecast 2020 to 2025). CAF highlights the following milestones:

1. Contract for the supply of 146 trains for the Paris RER B commuter line awarded to the CAF-Bombardier consortium.
2. Agreement to acquire the Coradia Polyvalent platform and the Reichshoffen plant. Transaction conditioned by the European Commission and related to the acquisition of Bombardier Transportation by Alstom.

Meanwhile, in relation to the Non-Financial Information Statement reflected in this report and the main advances in sustainability, the main milestones have been:

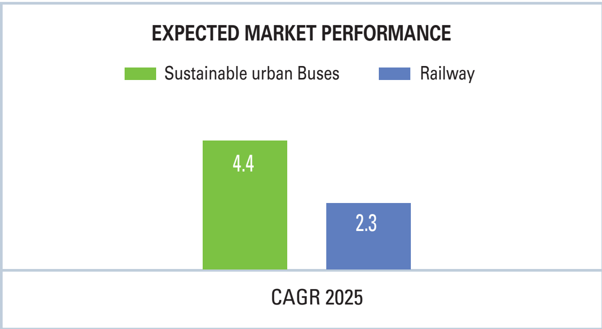
- Updating of the Group's materiality matrix and publication of the first ESG Equity Story (www.caf.net).
- Creation of a specific sustainability section on the website (www.caf.net).
- Publication of the first Solaris Sustainability Report (www.caf.net).
- 'Low Risk' rating awarded by the rating agency Sustainalytics.
- Adherence to the SBT initiative (Science Based Targets Initiative) and Race to Zero, as part of the carbon neutrality strategy.

Looking ahead to 2022 and subject to the reservations mentioned in the introduction, the Group aims to:

- Continue expanding sales at a faster pace than the market.
- Achieve higher contracts than the sales executed in the year.
- Advance in the recovery of profitability, increasing EBITDA, Net Profit and Dividend above sales growth.
- Consolidate the Group's position in sustainability, maintaining Solaris' leadership as well as Low Risk rating from the Sustainalytics agency, and increasing sustainable turnover according to the taxonomy.

The main reasons supporting these expectations are as follows:

- Accessible market growth prospects for the Group, driven by regulations and expansive policies such as the European Green Deal, and European recovery funds:
  – In Railway, an interannual growth of 2.3% is estimated until 2025 (source: UNIFE WRMS forecast 2020 to 2025).
  – In sustainable urban Buses (electric, hybrid, hydrogen), an interannual growth of 4.4% is estimated in Europe until 2025 (source: Interact Analysis and the "E-mobility Development & Market Intelligence" of Solaris, CAF Group).



Source: WRMS 2020, UNIFE and InteractAnalysis + CAF Group estimates

- Systematic and recurring application of expense containment programmes, costs and inventory reduction initiatives and obtain synergies.
- Contingency measures to mitigate the impact of inflation and the global components supply crisis on the Group's businesses.
- Execution of the Sustainability Plan in line with the objectives set out in the Group's ESG Equity Story.
- CAF's positive assessment and relationship with all its stakeholders.

Finally, in order to strengthen its position within the mobility sector, the Group highlights the following actions:

- Initiate a new strategic cycle based on an updated business model that seeks to maximise value creation and satisfy the stakeholder needs and expectations.
- Make progress in integrated digitalisation and cybersecurity for our processes, products and services.
- Continue with the investment effort in the technological development of zero-emission mobility solutions through various initiatives associated with propulsion systems based on energy storage (batteries and hydrogen), where the Group is already a market leader. Examples include Solaris' positioning in the electric city bus market in Europe, the high number of catenary-free tram systems supplied by the railway business, or the wealth of know-how and real experience in the development and supply of hydrogen-powered vehicles, especially at the Buses business.
- Consolidate the value proposal for customers through commercial and technical development plans for our components, signalling and systems businesses (CAF Signalling, CAF Power & Automation, CAF Turnkey & Engineering, and CAF Engineering & Modernizations, among others) in order to diversify our integrated offer in mobility.
- Strengthen international growth by exploring traditional and alternative markets with significant potential, including, where applicable, taking advantage of joint ventures or alliances.
- Finalise the agreement to acquire the platforms Coradia Polyvalent, Talent 3 and Reichshoffen plant and integrate them into our business model.

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 Group'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 our stakeholders.

BUSINESS PERFORMANCE AND RESULTS

Main indicators (*)

Figures in millions of euros	2021	2020	Change (%)
Order Intake			
Backlog	3,776	2,123	78%
Book-to-bill ratio	1.3	0.8	66%
Backlog	9,640	8,807	9%
Order backlog / Revenue ratio	3.3	3.2	3%
Profit and cash flow			
Revenue	2,943	2,762	7%
EBITDA	255	201	26%
Consolidated profit/(loss) for the period attributable to the Parent	86	9	853%
Investment in current assets	140	106	33%
CAPEX	46	44	5%
Cash-Flow	62	123	-50%
Capital management and liquidity			
Net Financial Debt	278	311	-11%
Net Financial Debt / EBITDA ratio	1.1	1.5	-29%
Available liquidity	1,091	1,115	-2%
Equity attributable to the Parent	727	633	15%
Proposed dividend per share	1.000	0.000	-

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

In 2021 the Group regained the high levels of uptake and backlog seen pre-pandemic and exceeded its book-to-bill target for the year. This has raised the order book to its highest level, providing high visibility of future sales. The backlog is also broadly diversified, both geographically and by business.

ORDER INTAKE

In 2021 the Group regained the high levels of order intake seen pre-pandemic and exceeded its book-to-bill target for the year.

(€M)

	2018	2019	2020			2021		
	TOTAL 1Q-4Q	TOTAL 1Q-4Q	TOTAL 1Q-4Q	Railway	Buses	TOTAL 1Q-4Q	Railway	Buses
Order Intake	2,902	4,066	2,123	1,410	713	3,776	2,982	794
book-to-bill	*1.4*	*1.6*	*0.8*	*0.7*	*1.0*	*1.3*	*1.3*	*1.1*

Record orders, confirming the market trend and the positioning of the CAF Group

These high backlog figures are the result of the positive trend in order intake across all segments and are concentrated within the European market, where the Group is consolidating its position. The backlog breakdown by segment and geography is as follows:

Order intake 2021 by segment

Railway

Rolling stock BtB > 1

- A number of contracts in the main European markets: Germany and France
- 1st contract for regional trains in Sweden, a strategic market for CAF
- First business in Canada through a contract for LRVs
- Contract for the largest battery-powered train project in the world (ZV VRR and NWL)
- Execution of extensions for contracts in progress for the amount of >€150M

Services BtB > 1

- Joint maintenance contract >30 years in Germany
- Rolling services contract, particularly in Sweden through EuroMaint
- Supply of spares and workshop equipment
- Provision of digital services to customers in different countries

Integrated Solutions and Systems (ISS) BtB > 1

- Contract for the Refurbishment of trains for the Cairo Metro
- A number of Signalling contracts in Spain, other European countries and Latin America
- Supply of Components (traction converters, wheels, axles, wheelsets and gear-units) to other OEMs and to railway maintainers/operators
- Contracts for integrated engineering projects in the UK and Mexico, and for an energy generation project in Spain

Buses BtB > 1

- Contracts for the supply of > 1,700 buses in more than 100 cities in 18 countries.
- c.50% of the buses in the contracts are for either zero or low emissions.
- Leadership position in the zero emission urban bus market in Europe.

Order intake 2021 by geographic region

Main geographic regions

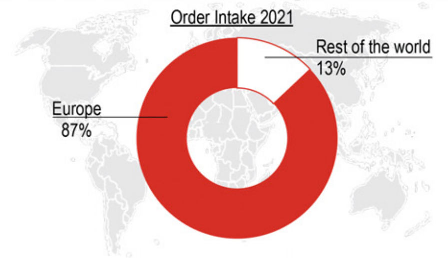
Germany
- The #1 global accessible railway market (volume >€4 billion per year)[1]
- Contract for the supply of rolling stock and services > €900M

France
- The #3 global accessible railway market (volume >€2.5 billion per year)[1]
- Within the framework of the CAF-BT consortium, CAF has been awarded the largest contract of its history in the country

> 60% on total

Sweden
- Strengthened positioning of the CAF Group following the acquisition of EuroMaint
- Contract for regional trains for AB Transitio

Spain
- Contracts in a number of rail businesses (Rolling Stock, Services and Signalling)
- Increased volume of contracts for Solaris buses

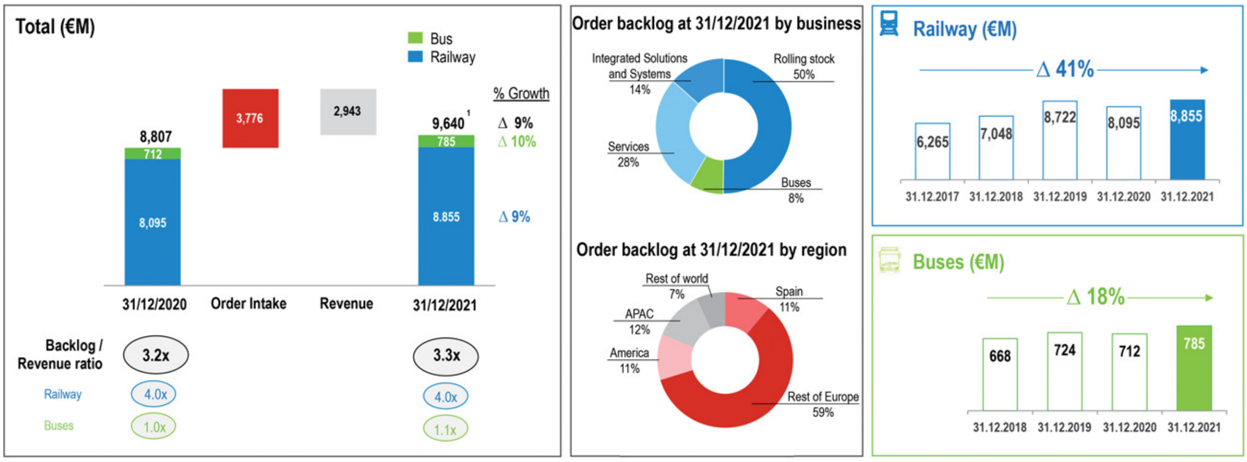


1. UNIFE, WRMS forecast 2020 to 2025. Estimated annual volume for the Rolling Stock segment, excluding freight, for the period 2023-2025, according to the V-recovery scenario.

BUSINESS PERFORMANCE AND RESULTS

This has raised the order backlog to its highest level ever, despite the Group's growth in activity during the year, and continues the positive trend seen in recent years, thus confirming that the sector is continuing to head in the right direction, with the Group occupying a privileged position.

Backlog



1. This order backlog does not include firm contracts announced during the first few months of 2022 for a value >€800M.

The order backlog at year-end represents 3.3 times revenue, providing a high visibility of future sales. The backlog is also broadly diversified, both geographically and by business.

PROFIT AND CASH FLOW

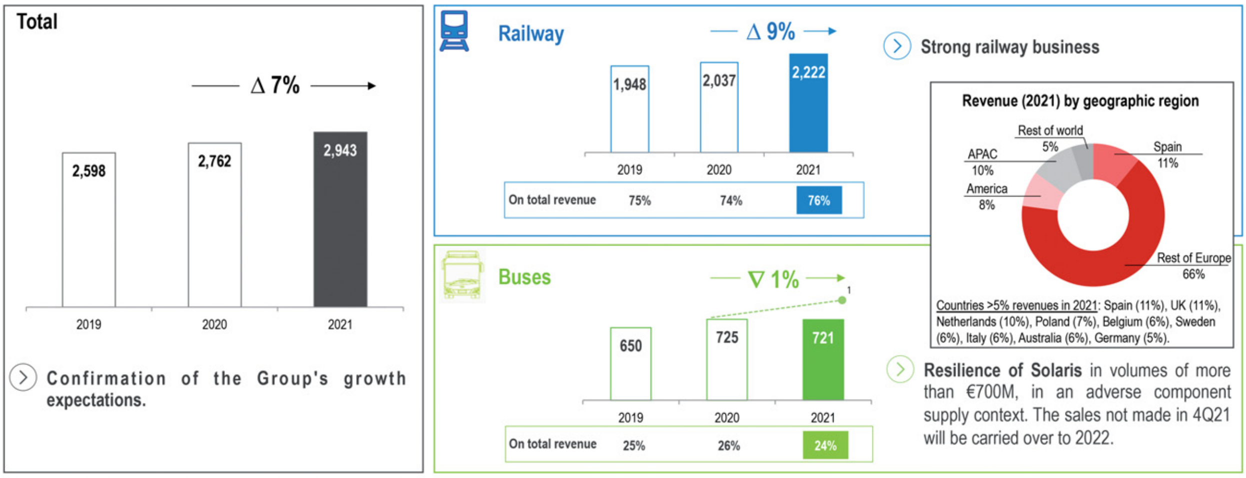
The statement of profit or loss for the year shows an increase in net sales and net income after tax, exceeding pre-pandemic figures:

	Pre-pandemic			
(€M)	2019[1]	2020	2021	Var. 2021/2020
Revenue	2,598	2,762	2,943	Δ 7%
EBITDA	244	201	255	Δ 26%
% EBITDA Margin	9.4%	7.3%	8.7%	-
D&A and impairments	(81)	(80)	(90)	Δ 11%
EBIT	163	121	165	Δ 36%
Financial result	(62)	(68)	(38)	∇ 44%
Financial income	17	6	7	Δ 15%
Financial expenses	(73)	(48)	(43)	∇ 10%
Exchange differences	(6)	(26)	(2)	∇ 91%
Other financial gains and losses	0	(0)	0	-
Profit before tax	99	49	130	Δ 2.7x
Income tax	(36)	(39)	(41)	Δ 6%
Net profit after tax	63	10	89	Δ 8.9x
Non-controlling interests	0	1	3	Δ 3.0x
Profit attributable to the Parent	63	9	86	Δ 9.6x

1. EBITDA, EBIT, Profit before tax, Net profit after tax and Profit attributable to the Parent are adjusted. See Management Report 2019.

The Group's net sales are also at their highest level, reflecting the Group's desire to outgrow the market:

Revenue (€M)

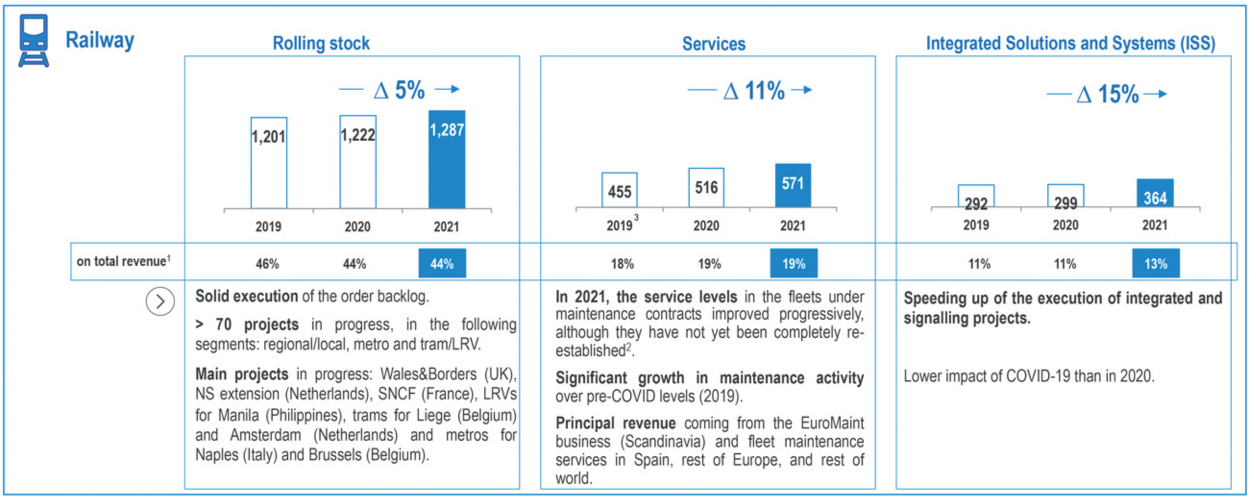


1. 2021 revenues forecast before the start of the impact of the global component crisis. This revenues forecast is higher than the expected growth for the market.

BUSINESS PERFORMANCE AND RESULTS

Growth in net sales across all product lines in the railway segment was a particular highlight:

Revenue (€M)



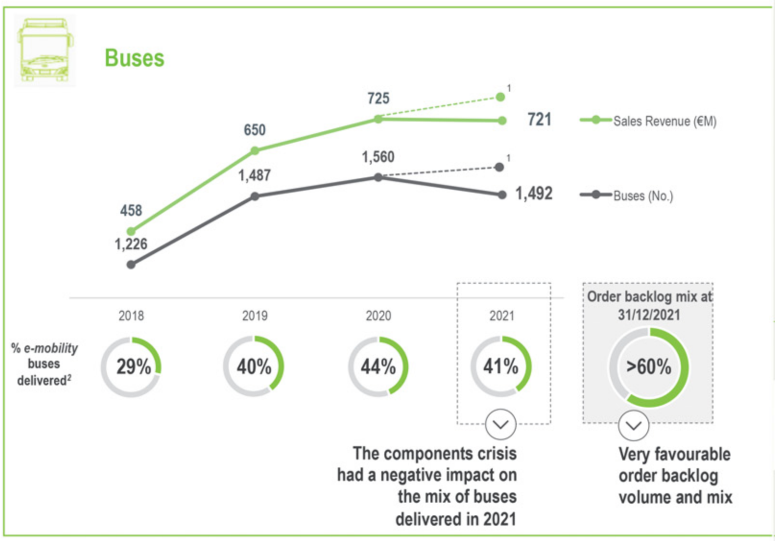
1. Percentages on total consolidated revenue, including the Bus business.

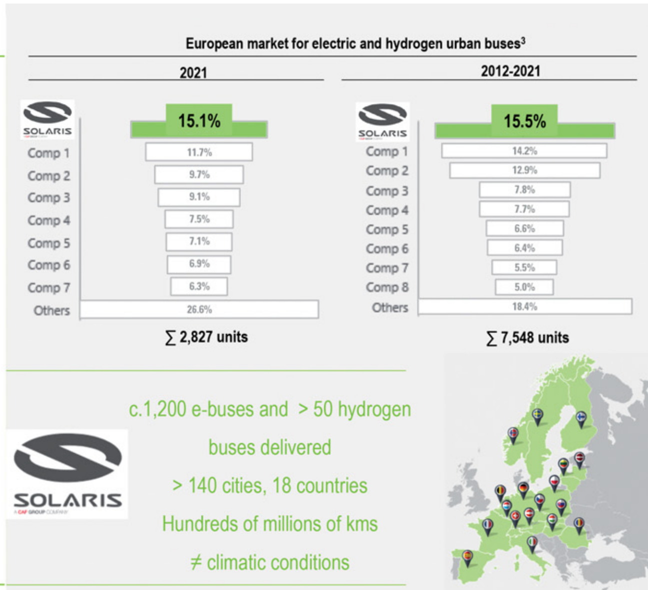
2. 88% of projects with traffic >90% and 97% of the fleet with traffic >70%.

3. Includes revenue from EuroMaint relating to the second semester of 2019.

In the Buses segment, Solaris maintained strong momentum throughout 2021, consolidating its status as the leading supplier of electric and hydrogen buses in Europe. The upward trend in net sales is expected to continue in 2022.

Revenue





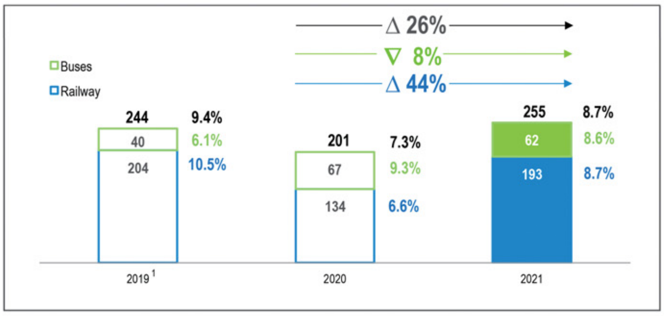
1. Forecast for 2021 deliveries and sales before the start of the impact of the global component crisis.

2. e-mobility range: Zero emissions buses (H2 / Electric, Trolleybus and Low emissions (Hybrid) / CNG (Compressed Natural Gas) buses and Conventional buses (diesel).

3. Buses registered, GTW > 8t.
Markets: UE27. Excluding the United Kingdom and Ireland, countries in which Solaris does not operate. Excluding trolleybuses.
Source: Chatrou/CME Solutions

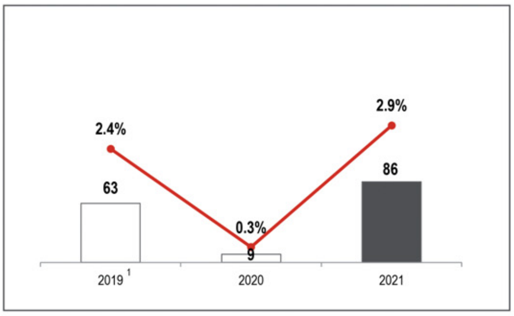
EBITDA also followed an upward path to reach an all-time high of EUR 255 million, up 26% on the EBITDA reported in 2020; a year heavily impacted by COVID-19. Profit attributable to the Parent amounted to EUR 86 million, revealing a rapid recovery from the COVID-19 crisis and also in terms of shareholder remuneration capacity.

EBITDA (€M) and EBITDA Margin (%)



1. *Adjusted amounts. See Management Report 2019.*

Net Profit[2] (€M) and Net Margin (%)



2. *Net profit attributable to the Parent.*

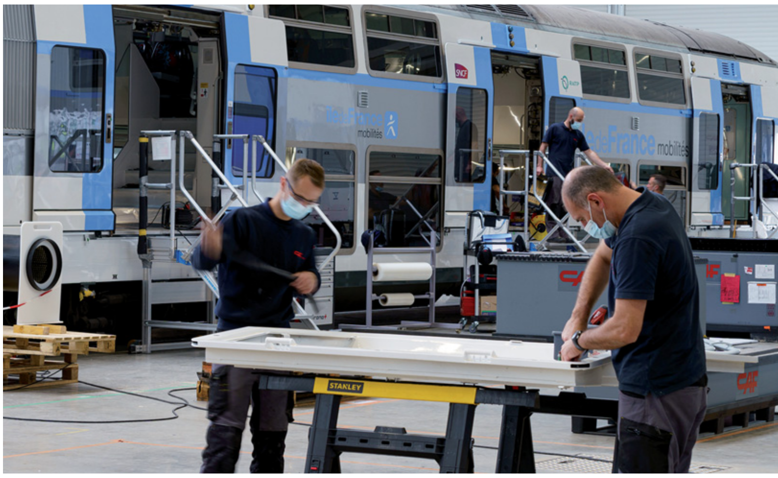
The main factors shaping the trend in net profit in 2021 were:

Positive factors:

- Less of an impact from COVID-19 on fleets under maintenance.
- Acceleration of integral projects in the pipeline.
- An improvement in the Financial result after optimising financial expenses and achieving a significant reduction in exchange differences.
- And an improvement in the tax rate, even when compared with pre-pandemic levels.

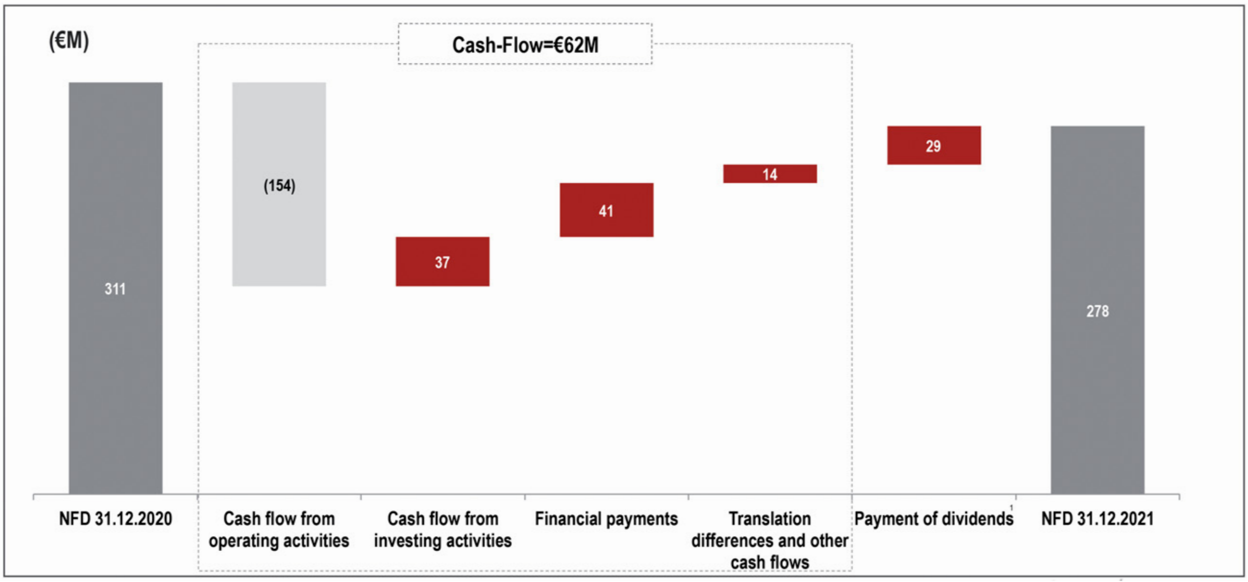
Negative factors:

- Group activity not yet back to normal in the wake of COVID-19.
- Extraordinary expenses associated with M&A activity.
- And lower business volumes and a less favourable product mix at Solaris due to the components crisis.



BUSINESS PERFORMANCE AND RESULTS

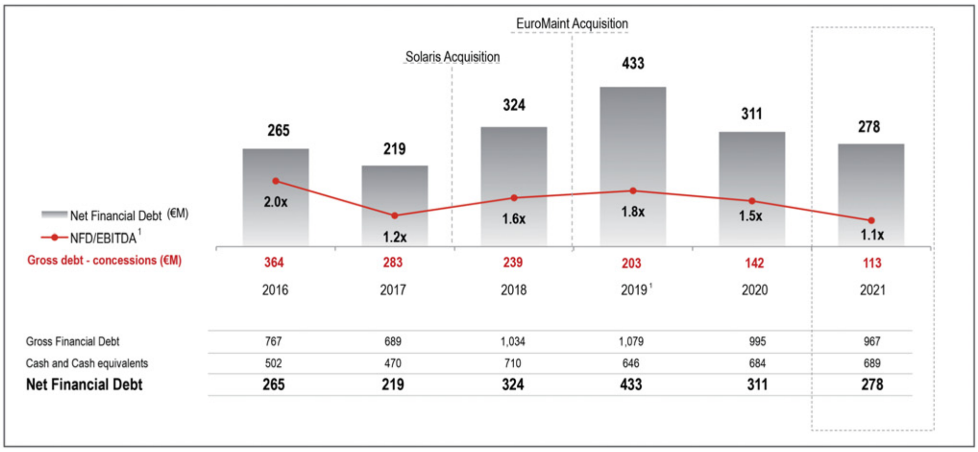
Balance sheet and Net financial debt



The improvement in EBITDA, coupled with the containment of investment in property, plant and equipment and R&D&I and the maintenance of working capital levels, brought cash flow for the year to EUR 62 million, before dividend payments.

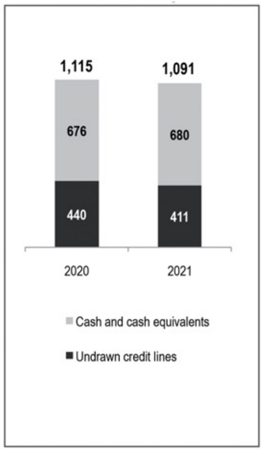
As a result, Net Financial Debt was down 11% to EUR 278 million, thus strengthening the Group's solvency ratios. Thus, the Net Financial Debt / EBITDA ratio was 1.1, below the level reported prior to the acquisitions made by the Group in the last five years (Solaris and EuroMaint, among others).

Performance of NFD and NFD/Ebitda Ratio



	2016	2017	2018	2019	2020	2021
Gross Financial Debt	767	689	1,034	1,079	995	967
Cash and Cash equivalents	502	470	710	646	684	689
Net Financial Debt	**265**	**219**	**324**	**433**	**311**	**278**

Available Liquidity (€M)



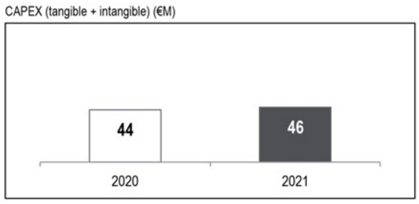
1. In 2019, Adjusted NFD/EBITDA Ratio.

Equity attributable to the Parent improved in an environment of currency stability, in stark contrast to the previous year, which saw significant negative translation differences.

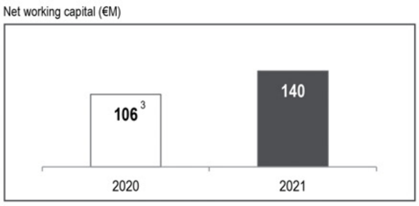
Balance sheet

(€M)	2020	2021
Fixed assets[1]	1,162	1,164
Working Capital[3]	106	140
Net Assets	**1,268**	**1,304**
Equity	644	740
Net Financial Debt	311	278
Other assets and liabilities[2]	313	286
Equity and Net Liability	**1,268**	**1,304**

Contained CAPEX



Controlled working capital



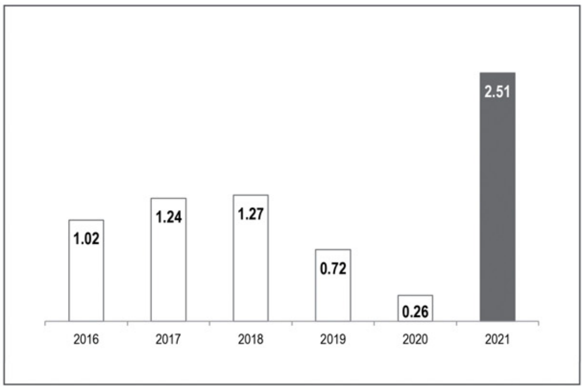
1. Includes tangible Assets, intangible Assets, Investments using the equity method, Other non-current assets, Other non-current financial assets excluding the items included in the net financial debt calculation.

2. Includes Long Term Liabilities excluding the items included in the Net Financial Debt plus other assets and liabilities that are not included in the investment in Working Capital less those derived from non-current asset hedging and deferred tax assets.

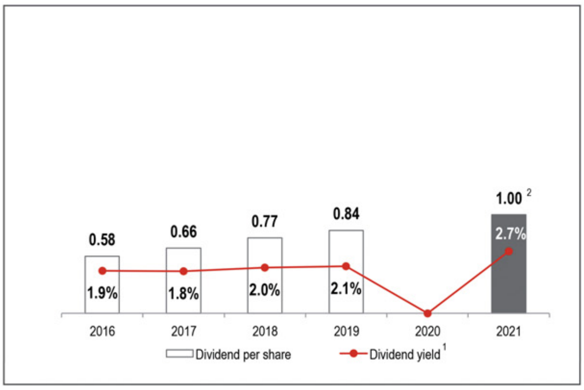
3. During FY 2021, the parameters of this indicator were modified as a result of the reclassification to heading "Non-current provisions" of the consolidated balance sheet of part of the provisions for guarantees that were formerly recorded under heading "Current provisions" of the consolidated balance sheet. This modification has represented an increase of €54M in working capital at 31 December 2020.

As a result, the proposed appropriation of earnings includes EUR 34 million as a dividend payout, representing EUR 1 gross per share and giving rise to higher dividend per share values than the levels seen pre-pandemic.

Earnings per Share-EPS (€)



Dividend per Share-DPS (€)



1. Calculated as: Gross dividend per share / Last share price of the year.

2. Dividend per share against FY 2021 (€0.40 interim dividend + €0.60 ordinary dividend subject to approval by the General Shareholders' Meeting of 2022).

RAILWAY SEGMENT

COMMERCIAL ACTIVITY

Commercial activity in 2021 reached levels of order intake that will enable the Group to continue growing, with the Book-to-Bill indicator at levels above 1 across all product lines, highlighting the achievements made in the two major European railway markets, France and Germany, and the growing position of the Group in Europe.

Europe

- At the beginning of the year, the consortium featuring CAF was awarded the contract to manufacture 146 trains, tendered by the RATP, to provide service on the north-south axis (RER-B) of the Paris commuter network, operated jointly by the RATP and the SNCF.

- In mid-2021, German authorities ZV VRR and NWL — responsible for transport in the North Rhine-Westphalia region, the most populated in Germany and whose capital is Dusseldorf — awarded CAF the contract for the manufacture of more than 60 electric train units and their maintenance for 30 years. The peculiarity of the contract is that it is for battery-powered trains that are also able to run on catenary tracks by absorbing energy from the catenary by means of a pantograph, much like a conventional unit. This award is, to date, the largest openly tendered contract in the world for this type of technology.

- Still within the German railway market, it's worth mentioning the signing of a new contract with operator Ruhrbahn GmbH, for the supply of 51 units that will run on the tram network that serves and connects the cities of Essen and Mülheim via a route spanning 155 km and provides service to more than 150 million passengers annually, in a totally environmentally friendly way.

- In Freiburg, the operator VAG Freiburg has renewed its trust in our company by exercising an option to extend the supply contract for the trams that are already in operation, bringing the total fleet to 25 units. The so-called gateway to the Black Forest relies on our trams for its mobility, in accordance with its demanding sustainability and environmental policies.

- A similar story has unfolded in neighbouring Belgium, where operator De Lijn has decided to expand its CAF tram fleet to 106 units. These latest acquisitions will run in the city of Antwerp and are novel in the sense that they are bi-directional tram units. This is the fourth extension option exercised by De Lijn since the initial contract was signed, which clearly shows the good work the company has performed and the satisfaction of our client with the contracted product.

- In Sweden, the public company AB Transitio once again entrusted our company with the manufacture of 28 new train units, exercising one of the options under the existing framework agreement between the two companies. These units purchased by AB

Highlights in 2021 included the achievements made in the two major European rail markets, France and Germany, as well as the Group's growing position in Europe.

Transitio will be leased to the regional administrations of Jönköping County, Kalmar County, Kronoberg and Blekinge. It is a fine example of forward-looking collaboration between administrations, since the plan to electrify the Kustpilen line, on which the new units will run, together with the Krösatågen line, has precipitated the decision to acquire bimodal battery-powered units.

- On the Iberian Peninsula, Metro Málaga has renewed its trust in CAF to expand its fleet to 18 units. While in neighbouring Portugal, CARRIS – the operator of the Lisbon tramway service – has placed an order for 15 new units to renew the rolling stock serving line 15 (Carreira 15), which runs parallel to the mouth of the Tagus River and connects the main tourist areas of the Portuguese capital, such as Praça do Comércio, Belém and the Jerónimos Monastery, as well as the city's main transport hubs.

- Regarding railway maintenance activities, in addition to the aforementioned 30-year maintenance contract associated with the delivery of fleet for the German authorities ZV VRR and NWL, we must highlight the formalisation of the maintenance contracts for the metric gauge fleet and the new units for line C9 of the Madrid commuter trains, both contracts with Renfe.

- EuroMaint also made a significant contribution to the backlog during the period, highlighting the contract for the maintenance of the units running on the Krosatag line with Swedish operator SJ, and the refurbishment of sleepers for the same operator.

- Finally, it should be noted that, in relation to predictive maintenance and incident analysis, Spoorwegen — the public transport operator in Oslo — is testing the benefits of LeadMind during the trial phase for the first units arrived in the Norwegian capital, out of 87 contracted.

Other markets

- In the other markets, CAF's first ever train supply contract in Canada is a definite highlight. The city of Calgary has chosen CAF's Urbos trams to serve its citizens on the Green Line, which will cross the city from north to south along a route spanning 46 kilometres and 29 stops, serving more than one million inhabitants. To succeed in this task, they plan to rely on 28 tram units. The contract also envisions the possibility of increasing the agreement by up to 24 additional LRVs.

- In the United States, in Maryland and Kansas to be precise, contracts have been signed to expand the Purple Line fleet to 28 units, and the trams that serve the largest city in Missouri to 8 units.

- In addition to the contract extensions described above, Transport for New South Wales has decided to increase its initial order to 16 units to provide service on the Inner West Light Rail line in Sydney.

- In other business lines, the refurbishment area reached another big milestone by signing a contract for the comprehensive refurbishment of the trains that operate on line 1 of Cairo, in Egypt, with the state company National Authority for Tunnels (NAT), responsible for managing the Egyptian capital's metro. To carry out the comprehensive refurbishment of 23 units currently operating on Line 1, the refurbishing of the new Kozzika maintenance depot and maintenance of the refurbished units for a period of two years. The project is supported by the Fund for the Internationalisation of the Company (FIEM).

- CAF-Signalling continues to consolidate its position in the railway signalling sector as a benchmark for quality and reliability. Proof of it, CAF Signalling was awarded a contract to implement our latest electronic interlocking technology along the 153 km section between Çerkezköy and Kapikule, belonging to the line that connects Halkaki station in Istanbul with the Turkish-Bulgarian border at Kapikule, in addition to the installation of a CTC for the line.

In addition to the contracts carried out in the year, in the final stretch of the year, an agreement was formalised for the acquisition of the Reichshoffen production plant in France, together with the Coradia Polyvalent and Talent 3 platforms. A new production centre from which to meet the needs of the French and German markets, in which the acquired platforms are also well established and widely used. Testing was therefore started on the cross-border France-Germany Coradia Polyvalent at the DB Systemtechnik German Railways test centre in Minden, where it will be certified and approved by French certifying body Certifer and its German subsidiary AEBT. As an example for the Talent 3, we can indicate that it has been in service with German operator Vlexx in the Saarland region since the end of the last decade, and framework agreements have been signed for the supply of new units in Austria and Germany.

INDUSTRIAL ACTIVITY

Of the nearly 38 projects that were either in the manufacturing or delivery phase in 2021, approximately 23 of them in the manufacturing phase kept our industrial plants and facilities busy throughout the year.

Some have already been completed, such as the project for the 130 trailer cars for North American operator Amtrak, following delivery of the last 11 units, the project to deliver 21 trams to the city of Budapest, with the completion of the last 9 units of 5 cars; the last train that completes the 4 compositions of 5 cars of the 6,000 series for Barcelona Metro, the last 3 trams of 7 modules under the initial project for 22 tram units signed with the city of Utrecht, as well as the last 7 trams of 7 modules for Vitoria/Gasteiz, and the last 3 trams for the city of Freiburg.

Other projects, already started in previous years, continued with further deliveries throughout 2021, such as the additional cars for Northern Ireland operator NIR with the delivery of 6 units of 3 cars, the trains for British operator West Midlands, with the delivery of 5 two-car units and 7 units of 4 cars, as well as the 21 three-car compositions and 21 more four-car compositions for Dutch operator Nederlandse Spoorwegen, the 10 Metro units under the 22-train contract signed with the city of Brussels, and 10 six-car compositions for Napoles Metro. This list also includes 15 LRVs (Light Rail Vehicles) out of the total of 30 units under the contract signed with Manila, 5 trains out of the 12 ordered by German operator Schönbuchbahn, as well as a significant number of trams, including 5 for Luxembourg, 34 for Amsterdam, 34 for De Lijn, 15 out of the 20 arranged by the city of Liège and 8 out of the 21 for Birmingham.

The production facilities have also delivered the first 8 trams for the state of Maryland, the first 3 trains for Amsterdam Metro, as well as the 8 two-car trainsets and 2 three-car trainsets under the contract signed with British operator Wales and Borders, 4 of the 5 trams under the extended agreement reached with the Dutch city of Utrecht, the first tram for Parramatta, and the first 2 trams for Antwerp.

As for the other projects, which are now in the initial manufacturing phases, it is worth highlighting the advanced production under the contracts signed with Australian operator New South Wales, Docklands Light Railway in the city of London, or the extension of the contract for the city of Istanbul.

Of the roughly 38 projects that were either in the manufacturing or delivery phase in 2021, approximately 23 of them in the manufacturing phase kept our industrial plants and facilities busy throughout the year.

The most relevant products manufactured in 2021 were as follows:

	NO. OF CARS
Long-distance Amtrak cars	11
Additional medium-distance cars – NIR	18
Medium-distance DMU West Midlands (two-car units)	10
Medium-distance DMU West Midlands (four-car units)	28
Medium-distance DMU Wales and Borders (two-car units)	16
Medium-distance DMU Wales and Borders (three-car units)	6
Commuter trains for NS (three-car units)	63
Commuter trains for NS (four-car units)	84
Bruselas Metro	60
Napoles Metro	60
Amsterdam Metro	9
Barcelona Metro S/6000	5
LRV for Maryland	40
LRV for Schönbuchbahn	15
LRV for Manila	120
Trams for Budapest	45
Trams for Luxembourg	35
Trams for Amsterdam	170
Trams for Freiburg	21
Trams for Utrecht	21
Extension of five trams for Utrecht	28
Trams for Vitoria-Gasteiz	7
Trams for Parramatta	7
Trams for Liège	105
Trams for Lijn	170
Trams for Antwerp	10
Trams for Birmingham	40
TOTAL	1,204

BOGIES	
With mechanic-welded chassis	1,319

WHEEL SETS AND COMPONENTS UNITS – MiiRA	
Assembled axles (power car + push-pull car)	4,866
Loose axle bodies	10,022
Monoblock wheels	50,488
Elastic wheels	3,329
Gear units	2,122
Bandages	719

RAILWAY SEGMENT

R&D+i ACTIVITY

In relation to CAF and CAF I+D, the new 2021-2022 Innovation Plan for the CAF Group was drawn up in early 2021, which is suitably aligned with the Strategic Plan.

The Innovation Plan envisions a total of 81 projects, 56 of which are in the Corporate R&D Plan and 25 are included in the Product Plans of the various businesses.

To finance these projects, the Group has relied on various types of R&D subsidies, most notably the aid obtained from:

- Provincial Government of Guipúzcoa
- Basque Autonomous Community Government
- Spanish Ministry of Economic Affairs and Digital Transformation
- 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 2021-2022 Innovation Plan encompassed the following fields:

- Specific railway products.
- Digital Train, which comprises projects to gather and process operational data for use in product and maintenance enhancements.
- BigData technologies, advanced modeling, digital twin and artificial intelligence.
- Energy management and eco-design, which include projects related to the reduction and optimisation of consumption on trains and in the global system, and alternative propulsion systems such as those based on battery energy storage or the use of hydrogen as fuel.
- On-board and fixed signalling.
- Traction.
- Autonomous vehicle.
- Virtual validation and certification.
- Specific products and technologies using basic railway 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 (www.shift2rail.org), as a founder member of the Shift2Rail JU (Joint Undertaking), which promotes railway R&D activities as part of the Horizon 2020 programme, CAF is involved in various technology development projects (PIVOT 2, IMPACT2, CONNECTA 2, CONNECTA 3, PINTA 3, X2RAIL 3, X2RAIL 5, FINE 2, IN2TEMPO, FR8RAIL 2, FR8RAIL 4, IMPACT 2, LINX4RAIL, TAURO and FORZDM) which are scheduled to continue until 2023.

- CLUG (www.clugproject.eu), a project promoted by the infrastructure managers that aims to demonstrate an autonomous train positioning system up to SIL4 safety level through sensors such as GNSSs, IMUs, Tachometers and Digital Maps.

- iRel40 (www.irel40.eu), 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 Innovation Plan envisions a total of 81 projects, 56 of which are in the Corporate R&D Plan and 25 are included in the Product Plans of the various businesses. 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.

- 5GRAIL (www.5grail.eu), a communications project that aims to verify the first set of FRMCS (Future Railway Mobile Communication System) specifications and standards, which will consist of the global 5G standard for railway operational communications both in Europe and for the obligations of railway organisations outside Europe.
- 5GEuskadi (www.5g-euskadi.com), a project featuring of a total of 19 agents, including technology centres, universities and companies from the Basque industrial fabric that have come together to experiment with 5G network deployments, provide network management techniques that enable 5G technology and develop use cases.
- FCHRAIL, a project within the framework of FCH JU (Fuel Cells and Hydrogen Joint Undertaking), which consists of the design and manufacture of a prototype based on an existing RENFE three-car commuter unit, specifically the CIVIA series. Under this project, a new electric generation system will be installed based on the hybridisation of energy from hydrogen cells and LTO batteries, integrating with the vehicle's existing traction system, making it one of the first railway demonstrators of a bimode vehicle with a hydrogen cell.

The most significant engineering projects undertaken during the year 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 Amsterdam (The Netherlands)
- Trams for Oslo (Norway) and Lund (Sweden)
- Extension trams Freiburg
- 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
- Electrical units for RATP RER (France)
- Metropolitan and regional trains for Myanmar
- Trains for AKT Transitio (Sweden)
- Tram for Lisbon
- Extension of Sydney tram
- Extension of Malaga tram
- Extension of Kansas tram
- Tram for Essen (Germany)
- Regional trains for VRR (Germany)
- Trams for Calgary Green Line Light Rail (Canada)

BUS SEGMENT SOLARIS

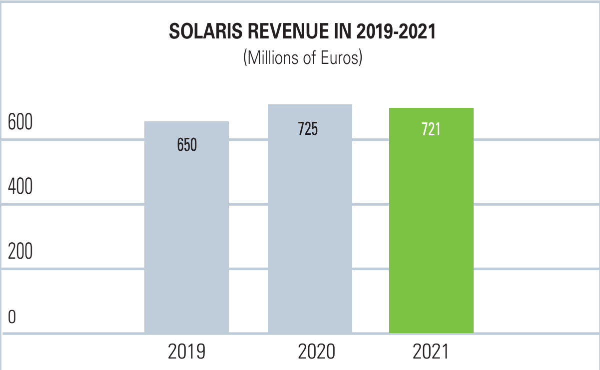
Solaris still leader in European zero-emission bus market.

Manufacturer sums up 2021.

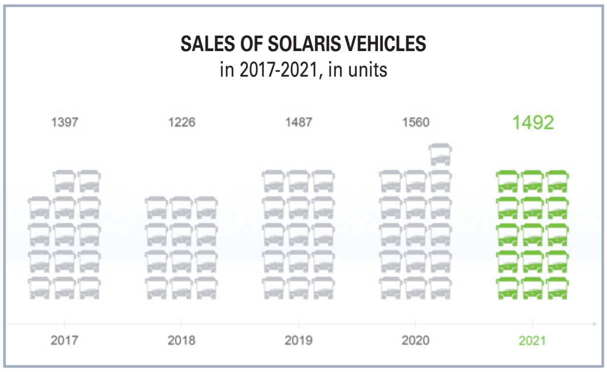
- **Solaris sold a total of 1,492 vehicles in 2021**
- **Its revenues stood at EUR 721 million**
- **The company maintained its no.1 position in the zero-emission bus market in 2021, with a market share of 15.1%(1)**
- **Between 2012 to 2021, Solaris was the biggest zero-emission bus manufacturer in the European market, with a market share of 15.5%(2)**

In 2021, just as in 2020, most of the world's economies faced unprecedented challenges. The last few months have also been difficult for the European public transport sector and vehicle manufacturers. Firstly, due to a global electronic components crisis where a major supply disruption has occurred. Secondly, the COVID-19 pandemic and related restrictions have prompted Solaris to establish special procedures and to develop solutions to ensure the continuity of its business activities. However, Solaris has proved that, even in the toughest of times, it keeps the 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.

Despite the ongoing pandemic, which has had a significant impact on many sectors of the economy, including the automotive industry, Solaris reported solid financial results and sales in 2021. In this period, the company generated revenues of EUR 721 million.



Solaris has maintained its leading position in the European zero-emission bus market (market share of 15.1%). It delivered a total of 400(3) zero-emission buses to its customers, which means that in the period from 2012 to the end of 2021 Solaris was Europe's largest supplier of zero-emission electric battery buses with an average market share in this segment of 15.5%.



The company sold a total of 1,492 units in 2021, of which low- and zero-emission vehicles (i.e. electric, hydrogen and hybrid buses, as well as trolleybuses) accounted for 41%.

In 2021, Solaris delivered its buses to customers across 18 countries. The main recipients of Solaris vehicles included, among other carriers, operators from Poland, Germany, Spain, Estonia, Italy, Romania, the Czech Republic, Israel and Switzerland. For the 19th consecutive year, Solaris held the leading position in the low-floor city bus market in Poland, with a market share of 63.7%. This market accounted for 28% of Solaris' total sales in 2021.

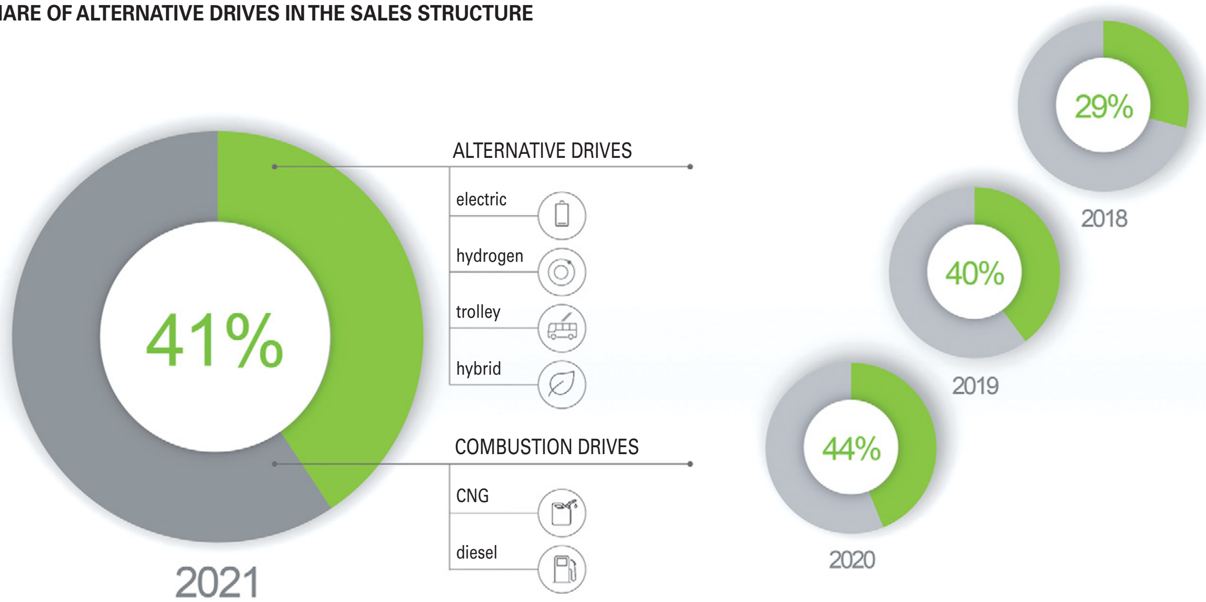
It is also worth noting that Solaris sold 54 hydrogen buses in 2021. The Solaris Urbino 12 hydrogen bus was launched in 2019. Since then, interest in this technology has soared, which is reflected in the number of orders for this type of vehicle in 2021 and in units ordered for 2022 and beyond.

Solaris' most relevant contracts (partially or fully executed) were as follows in 2021:

- A contract for the delivery of a total of 123 e-buses to Romania, which allowed Solaris to solidify its position as an e-mobility leader in this market. In a government tender launched by the Romanian Ministry for Public Works, Development, and Administration (Ministerul Lucrărilor Publice, Dezvoltării Și Administrației), with seven local towns and cities as beneficiaries, Solaris was awarded a large order for 123 out of 131 e-buses.

Solaris remains the leader in the European zero-emission bus market. Solaris reported strong financial and sales results in 2021. In total, the company sold 1,492 units during the year, of which low- and zero-emission vehicles accounted for a 41% share of total sales.

SHARE OF ALTERNATIVE DRIVES IN THE SALES STRUCTURE



1. *Based on battery/electric and hydrogen buses registrations in 2021, in EU27 markets excluding UK and Ireland, source: Chatrou/CME Solutions.*
2. *Based on battery/electric and hydrogen buses registrations in 2012-2021, in EU27 markets excluding UK and Ireland, ,source: Chatrou/CME Solutions.*
3. *400 buses is the number of battery/electric and hydrogen buses sold/invoiced in 2021 by Solaris. The registered buses are presented in market share statistics. In 2021 Solaris sold/invoiced 427 units.*

BUS SEGMENT SOLARIS

In 2021, Solaris delivered its electric buses to the towns and cities of Iași, Sibiu, Sighetu Marmației, Suceava, Târgu Mureș and Pitești. According to the schedule, the contract will be completed by the end of 2022.

- Also in 2021 Solaris won a tender for the delivery of 250 Solaris Urbino 12 buses, fuelled with compressed natural gas (CNG), for Madrid's EMT operator. Deliveries began in 2021 and are expected to be completed in 2023. This is the first contract won by Solaris in the Spanish capital. Empresa Municipal de Transporte (EMT) in Madrid is the largest public transport operator in Spain and the second largest in Europe. The operator has set itself an ambitious goal of having solely electric, hybrid and CNG buses on the streets of Madrid by 2023. The plan envisages replacing all their diesel vehicles with CNG buses. That is why, at the beginning of the year, EMT launched a tender for 520 12-metre CNG-fuelled vehicles. Solaris will supply up to 250 of them.

- It was also in 2021, and again in Spain, that Solaris won another order for the delivery of 24 electric buses for the operator TMB Barcelona. The Solaris Urbino electric units will make their way to the capital of Catalonia by the end of 2022. It was in 2015 that Solaris vehicles first joined the bus fleet of the operator Transports Metropolitans de Barcelona (TMB). All Solaris buses ordered by the operator feature hybrid or electric drives.

- One of Solaris' main sales markets in 2021 was Estonia, mainly due to the execution of deliveries and the tenders (launched by operator TLT in Tallinn) won by Solaris. Last year, representatives of Solaris Bus & Coach and the Estonian company Aktsiaselts Tallinna Linnatransport (TLT) signed a contract for 100 environmentally-friendly CNG-powered city buses. Of these, 65 of them are Solaris Urbino 12 vehicles, while the remaining 35 are Solaris Urbino 18 articulated units. The deliveries are scheduled to end in 2022. Pursuant to the contract, TLT can, as an option, order an additional 20 Urbino 12 CNG and 30 Urbino 18 CNG vehicles. The capital city of Estonia is one of the world's leading smart cities and one of the e-cities relying on ICT technologies to improve the interactivity and efficiency of its urban infrastructure. Therefore, it comes as no surprise that Estonia's largest public transport operator, Aktsiaselts Tallinna Linnatransport, has again decided to sign a large contract with Solaris for the supply of

In relation to new products, and aside from the launch of its new midi-class e-bus, known as the Urbino 9 LE, Solaris continued to work in 2021 on the development and eventual launch of an 18-metre e-bus, which will use a new-generation hydrogen fuel cell for propulsion.

CNG-powered buses. 200 vehicles of this type, ordered by TLT in 2019-2020, are already operating on the streets of Tallinn.

- In 2021, Solaris also won a significant order for 161 Urbino 12 hybrid (diesel-electric) buses from Opérateur de Transport de Wallonie (OTW), a public transport operator in the French-speaking part of Belgium. Deliveries to Namur, Liège and Charleroi are scheduled for 2022.
- Moreover, it is worth mentioning that, in 2021, Solaris won its first orders for e-buses in the Czech Republic, one of its key markets. So far, the manufacturer had only delivered diesel, CNG and trolleybuses there. This time, Solaris signed an agreement with transport operator Dopravní Podnik in Ostrava (DPO) for the supply of 24 Urbino 12 electric buses, together with charging infrastructure. The deliveries are scheduled to end in 2022.

Hydrogen technology has played an important role in the development and sales strategy of the business. At the beginning of 2021, Solaris joined the European Clean Hydrogen Alliance. This is an initiative led by the European Commission. Its goal is to scale up, by 2030, the production and deployment of hydrogen as a fuel produced by low-emission technologies and renewable energy sources. The European Clean Hydrogen Alliance is one of the many measures taken by the European Union to strengthen its position as a world leader in the production and deployment of hydrogen in industry and the energy grid. It is also one of a series of actions aimed at supporting the EU's goal of achieving carbon neutrality by 2050.

For Solaris, hydrogen technology is not only a harbinger of future development, but has already translated into tangible orders and generated revenues. In 2021 alone, the bus manufacturer delivered 54 zero-emission hydrogen buses to customers from Italy, Germany, the Netherlands and Sweden. In the same year, the company signed further contracts for hydrogen buses, among others, for the German market. 13 Solaris Urbino 12 hydrogen units will be handed over to carrier In-der-City-Bus, responsible for public transport in Frankfurt.

Apart from its leading position in Europe for electric, hybrid, CNG and hydrogen buses, Solaris is also Europe's largest supplier of trolleybuses. In 2021, the company sold a total of 118 Solaris Trollino 12-metre and

BUS SEGMENT SOLARIS

18-metre trolleybuses, and they made their way to operators from Germany, France, the Czech Republic, Romania, Poland and Hungary.

As is the case for the entire CAF Group, sustainable development and ESG issues are also an important component of Solaris' development strategy. In 2021, Solaris published its first Sustainability Report. It was drawn up in accordance with the GRI Standards guidelines, which is an international standard for reporting on both responsible business and sustainable development issues.

The report is the first publication to present the full range of data and information on the company's ESG-related initiatives in such a comprehensive manner. It provides an extensive description of the company's impact on the economy, the environment and society. Its three main chapters correspond to the pillars of the company's activity: "Responsibility along the value chain", "People – the greatest asset" and "Zero emissions future". The topics addressed in the document were selected during internal workshops and suggested by stakeholders.

The document was awarded the prize for 'Best debut' at the Sustainability Report competition. As emphasised by the jury, the prize was awarded "for a report that contains a lot of well-prepared information, with a clear layout, a concrete set of ESG actions and an interesting description of the company's role in the 'zero-emission' future".

The report is available on the company's website at:

https://www.solarisbus.com/public/assets/content/firma/csr/Solaris_Raport_Zrownowaonego_Rozwoju_2020.pdf.

It is available in Polish, English and German. To help protect the environment, the company has decided to publish the report on the Internet only. The 2021 report will be published in the second quarter of 2022.

In 2021, for the second straight year, due to the COVID-19 pandemic, Solaris Bus & Coach sp. z o.o. was forced to operate under unusual conditions when it comes to its trade fair and exhibition activities. Restrictions, lockdowns and the closure of entire sectors in several countries led to the vast majority of events in which the company had planned to participate being cancelled or postponed.

In 2021, Solaris took part in the Transexpo trade fair in Kielce from 27-29 October, where it exhibited three of its zero-emission models: the electrically powered Urbino 9 LE electric, the Urbino 15 LE electric, and the Urbino 12 hydrogen buses. The hydrogen-fuelled Solaris bus won the "best product" medal at the Targi Kielce Fair in the Bus category, while the battery-powered Urbino 9 LE bus, launched a month earlier, was awarded a distinction from the jury.

Solaris also took part in the Local Public Transport Days in Tampere, Finland, on 23 and 24 November, where the manufacturer exhibited its Urbino 15 LE electric bus. At

the same time (23-25 November 2021), the bus manufacturer participated in the Czechbus trade fair in Prague (Czech Republic) demonstrating its latest achievements in electric mobility, namely the Urbino 12 hydrogen and the Urbino 9 electric buses.

In 2021, Solaris also continued its #SolarisTalks, industry meetings focused on exchanging experiences and discussing the future of urban mobility. Due to pandemic-related restrictions, the 2021 conference was held as a virtual event. The change of format opened up new possibilities. A virtual stage, on which various presentations took place, could be followed from anywhere in the world. Participants included our clients, business partners, local authorities and Solaris followers and from all over Europe. The programme was divided into two sessions: one on electrical issues and the other dedicated to hydrogen. The #SolarisTalks online conference was attended by almost 700 participants from 38 different countries. This widespread interest and geographical diversity show how important the topic of electric mobility is right now. All conference materials and videos are available at:

https://www.youtube.com/channel/UCQaJOZ44gRiEbfzLfoB76xw

Unable to participate in conventional trade fairs or other promotional events, the manufacturer decided to introduce its latest product through the virtual marketplace. On 30 September 2021, the Solaris Urbino 9 LE electric bus was launched on the Internet. Thus, Solaris managed to keep its word when it came to the date of the presentation of its new product to the public and it enabled all interested stakeholders to take part in the event, while respecting all sanitary precautions.

Following the launch of this bus, which meets the requirements for vehicle classes I and II, the manufacturer continues to expand its range of electric vehicles that can be successfully deployed as city and intercity buses. Full coverage of the launch is available at: https://www.solarisbus.com/pl/premiera. The event has been viewed more than 60,000 times on various virtual channels.

In relation to new products, in 2021 in addition to the launch of its new midi-class e-bus, Solaris continued its work on the development and eventual launch of an 18-metre e-bus, which will use a new-generation hydrogen fuel cell for propulsion. Moreover, apart from the new cell, the bus will be equipped with cutting-edge advances and dedicated solutions related to the use of hydrogen as a fuel. In 2021, work began on the construction of two prototypes, which are scheduled for completion in the second quarter of 2022. As a result, the Solaris offering from 2022 onwards will include hydrogen buses at the most common lengths seen in public transport: 12 and 18 metres (articulated).

Meanwhile, development work on a 24-metre bi-articulated electric bus continued at a good pace throughout 2021. This project is being pursued, among other things, in connection with an order for the delivery of 14 units to Aalborg in Denmark.

As for the future, the company has a healthy order book. At the end of 2021, it contained 1,260 buses, thus ensuring high levels of activity throughout 2022.

INVESTMENTS

Capital expenditure by the CAF Group throughout 2021 amounted to EUR 22 million. The most salient investments are as follows:

At the MiiRA wheelsets and components business, the wheel forging furnace floor was refurbished and updated; an investment that must be made periodically due to its deterioration caused by the activity. The painting area was also modernised, on the one hand, through the acquisition of a new axle painting machine, and on the other hand, through the automation of the wheel painting process, all with the aim of obtaining improvements in quality while reducing process costs.

Regarding the train manufacturing area, the process of transforming the production model continues affecting all manufacturing phases. Highlights here include the acquisition of new production equipment, such as sanding robots, paint mixers, electrical sub-unit stamping machines, as well as a new three-dimensional measuring machine for bogie frames. Further highlights are the investments made at the Zaragoza plant, which mainly include the modernisation of the facilities and equipment of the warehouse that will be used to centralise the manufacturing of the Urbos platform trains, which has the additional objective of optimising the layout and improving the shunting process for the manufactured units.

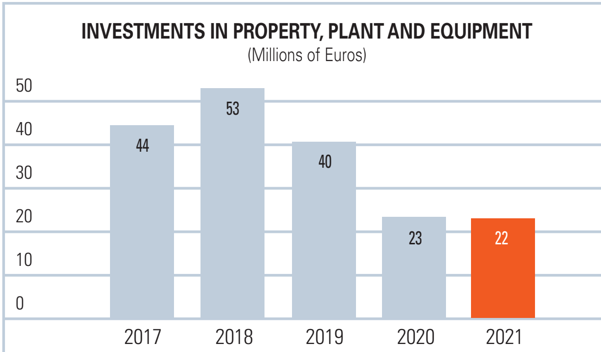
Another highlight was completion of construction on the new office building at the Beasain plant, which houses the project monitoring and inspection area, as well as the Corporate Quality and Marketing departments. In

The most significant investments were aimed at modernising and transforming the production model, affecting all the manufacturing phases of the railway production plants. Highlights included the expansion of the plant located in Bagneres de Bigorre, France, and the investment made in the bus business with the aim of increasing the production capacity of its production facilities.

the Digital area, the technological renewal of servers has been carried out to increase processing capabilities and thus meet the needs of the business in terms of both availability and capacity, as well as the expansion of the storage infrastructure to respond to the organic growth in the organisation's data and information.

In the international arena, highlights for the period included the process of expanding and modernising the plant located in the French town of Bagneres de Bigorre, which this year will focus on remodelling the logistics zone. The facilities and equipment will be upgraded to improve delivery and storage capabilities and enable better management of materials and equipment as part of the plant's production process. The vehicle testing area was also renovated following the purchase of a new test bench and various upgrades made to the existing facilities. All this is to cope with the increase in the volume of projects that the CAF Group plans to carry out in France over the coming years.

Lastly, in the buses segment, Solaris is undertaking a major investment plan at its Bolechowo and Sroda Wielkopolska plants in Poland in a bid to modernise and increase the production capacity of its facilities. This comes in response to the subsidiary's extensive backlog and growth forecasts, mainly in the field of zero-emission vehicles such as electric and hydrogen bus models. A further highlight is the expansion of the logistics area at the Bolechowo factory, with the start-up of a new warehouse that will ultimately improve the plant's logistics process and increase charging infrastructure, which is needed to meet Solaris' current product mix, which has seen a significant increase in the production of electric buses, and to optimise the high-power vehicle testing process.



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 its 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 level of risk that the Group considers acceptable (risk appetite).
5. The measures envisaged to address the identified 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

The General Risk Control and Management Policy is deployed through an Integrated Risk Control and Management System across the entire CAF Group. This system comprises a set of rules, processes, procedures, controls and information systems, whereby all risks are adequately managed through the following system steps and activities.

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 facing the Group 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.

MAIN RISKS AND UNCERTAINTIES

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 governs the design, integration and operation of the governance bodies and their relations with the Parent's stakeholders and that in turn are based on a commitment to ethical principles, best practices and transparency as the Group seeks to defend its interests and create 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.

The year 2021 was also marked by the world crisis in raw materials caused by the pandemic. This crisis led to delays and higher prices for raw materials, products and

services all along the supply chain. In a bid to mitigate the impacts associated with supply problems, the CAF Group has undertaken the following actions and activities: i) Monitoring and cushioning the impact on prices and supply lead times; ii) monitor and manage the supply chain to avoid disruptions; iii) share risk with customers to the extent possible.

Moreover, during the year, italso continued to monitor and control specific activities to ensure: i) the health and safety of workers; ii) contractual compliance with clients and other third parties; and iii) the Group's financial health. These activities and other information regarding COVID-19 at the CAF Group are explained in the notes to the consolidated financial statements for the year ended 31 December 2021.

The contingencies managed in the realm of Compliance are part of the overall risks supervised within the system and a description of the material topics for 2021 can be found in Note 26 to the consolidated financial statements and in the Non-Financial Statement – Sustainability Report.

MAIN RISKS AND UNCERTAINTIES

LIQUIDITY AND CAPITAL RESOURCES

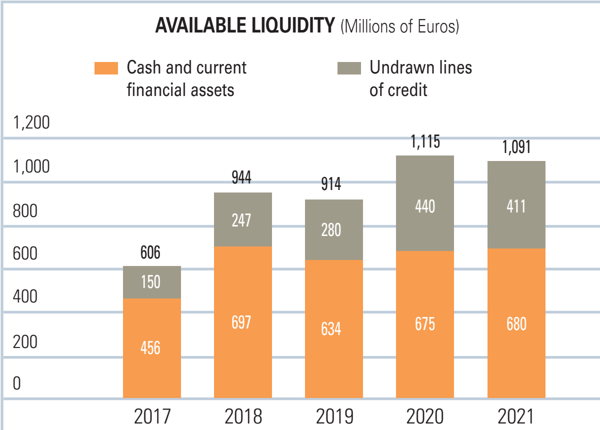
Availability of short-term liquidity

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 a short-term promissory note programme on the Irish Stock Exchange for a maximum issue volume of EUR 200 million. This programme was subsequently renewed for annual periods in both December 2018 and December 2019 and the initial amount of the issue was raised to EUR 250 million in 2019. In December 2020, the programme registered on the Irish Stock Exchange was replaced — as it was not renewed at maturity — by a substantially similar programme for the issuance of promissory notes, which was registered on 21 December 2020 with the Spanish Alternative Fixed Income Market (Mercado Alternativo de Renta Fija, or "MARF") and renewed on 22 December 2021. Since 2018, the Group has effected various placements under these programmes, thus providing it with an alternative source of funding to existing credit facilities and enabling it to diversify the sources of its funding and add an additional source of liquidity.

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, 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.

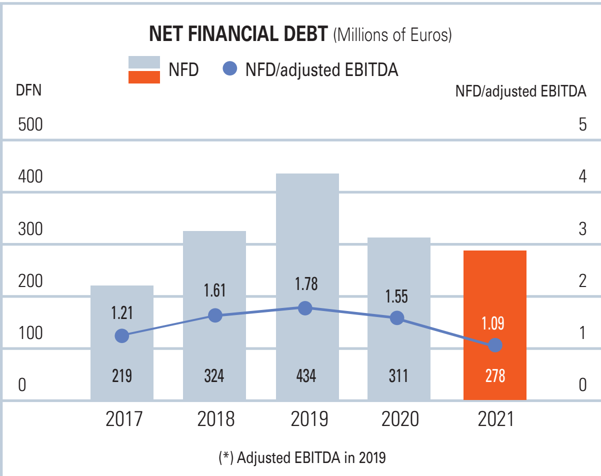
The CAF Group regularly assesses the appropriateness of its liability structure, and takes into consideration the projected cash flows, the maturity profile of its debt, the foreseeable evolution of its working capital and other future liquidity needs.

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

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.

the purchase of the shares, and due to the incorporation into the perimeter of the Solaris Group.

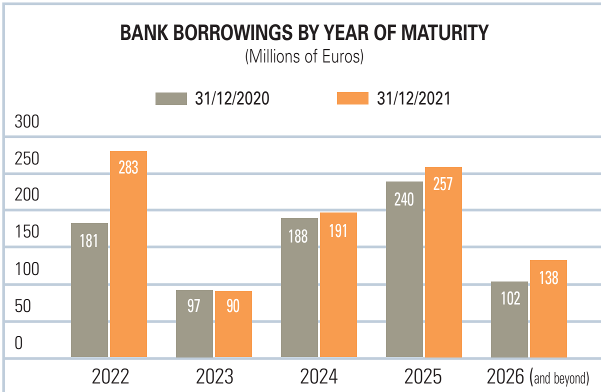
The main aggregates of the Group’s liability structure have performed as follows in recent years:



Both net financial debt and the Net Financial Debt/EBITDA ratio performed well in 2021, following the trend set in 2020, during a period in which COVID-19 has had a strong negative impact on the global macroeconomic environment.

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 2021, comparing with the year end of 2020 is the following:

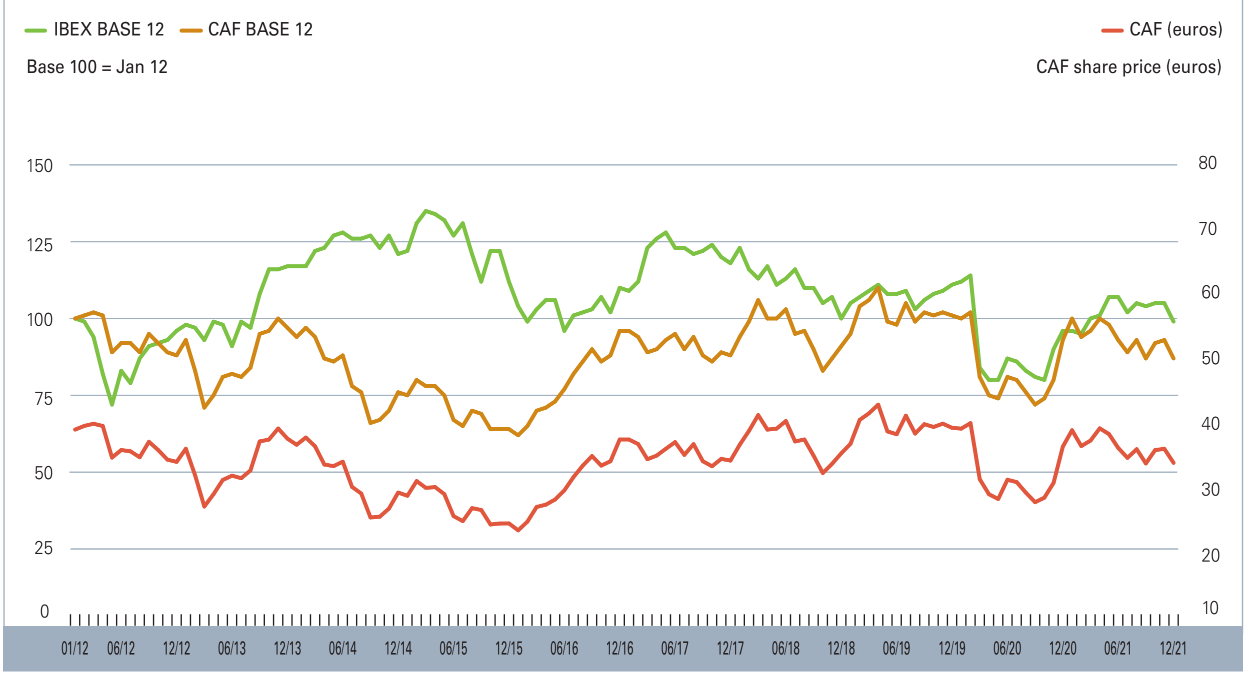


Millions €	2017	2018	2019	2020	2021
Gross debt Concesions	283	239	203	142	113
Gross debt Solaris	-	145	168	164	171
Gross debt Corporative	406	650	708	689	682
Total	**689**	**1,034**	**1,079**	**995**	**967**

STOCK MARKET INFORMATION

	2021	2020	2019	2018	2017
Market price					
Market capitalisation at year-end (millions of euros)	1,255	1,346	1,406	1,241	1,172
Closing price (euros)	36.60	39.25	41.00	36.20	34.18
Low (euros)	33.05	25.20	35.30	31.30	32.22
High (euros)	42.10	43.30	44.90	43.60	39.50
Data per share (euros)					
Earnings per share (EPS)	2.51	0.26	0.72	1.27	1.24
Dividend per share	1.00	0.00	0.842	0.765	0.66
Market ratios					
PER (average market price/EPS)	14.88	127.70	56.34	30.14	29.06
Market average price/EBITDA adjusted	5.02	5.71	5.72	6.50	6.84
PBV (average market price/BV)	1.76	1.82	1.90	1.74	1.64
Dividend yield	2.7%	0%	2.1%	2.0%	1.8%
Pay-out ratio (Dividend/EPS)	40%	0%	117%	60%	53%
Liquidity ratios					
Free-float rotation	51%	70%	47%	65%	71%
Traded volume (millions of shares)	8.6	11.3	8.4	10.8	11.8

EVOLUTION OF CAF GROUP SHARE PRICE

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1177
connector
SPEED LIMIT 25

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

At 31 December 2021, the firm backlog, net of progress billings, amounted to approximately EUR 9,640 million (31 December 2020: EUR 8,807 million) (Note 12).

In addition, in January 2022, the consortium formed by CAF and construction company Shapir was selected by NTA (Metropolitan Mass Transit System) as the successful bidder for the Purple Line of the Tel Aviv light rail project. The contract not only envisions the actual construction of the line, but also the design and supply of 98 low-floor Urbos trams, the supply of the signalling, energy and communications systems, and line maintenance for a 25-year term.

The scope of the CAF Group's work on this contract encompasses both the design and manufacture of the new units and the supply of signalling, energy and communications systems, as well as the integration of the project.

Additionally, in January 2022, Auckland Transport awarded the CAF Group a contract for the supply of 23 electric units for the city of Auckland in New Zealand, together with the maintenance of the vehicles until the end of 2025.

Last but not least, Solaris signed a contract with Norwegian transport operator Unibuss AS for the supply of 183 Urbino 18 electric buses to Oslo.

The volume and scope of the CAF Group's work under these recently awarded contracts exceeds EUR 750 million.

ALTERNATIVE PERFORMANCE MEASURES

The CAF Group's financial information contains not only figures and metrics drawn up in accordance with applicable accounting standards, but also other indicators known as Alternative Performance Measures (APMs). APMs are essentially figures adjusted from those presented in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRS). They should therefore be read in conjunction with the financial reporting measures and not in isolation.

APMs are important to those who rely on the financial information because they are the measures used by the CAF Group's management to assess its financial performance, cash flows or financial position in making financial, operational or strategic decisions for the Group.

The following APMs have been used as part of the financial information of the CAF Group:

Order intake: includes firm orders received during the period and modifications that may have been made to orders from prior periods. This measure does not include the backlog acquired through business combinations in the year.

Millions of euros	31/12/21	31/12/20
+ Backlog at end of period	9,640	8,807
– Backlog at beginning of period	(8,807)	(9,446)
+ Revenue	2,943	2,762
Order intake	3,776	2,123

ACQUISITION AND DISPOSAL OF TREASURY SHARES

In 2021 neither Construcciones y Auxiliar de Ferrocarriles, S.A. nor its subsidiaries purchased or held treasury shares.

PAYMENTS TO SUPPLIERS

The average period of payment to suppliers in 2021 was 92.20 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.

Book-to-bill ratio: obtained by dividing "Order intake" for the year by "Revenue" as shown on the consolidated statement of profit or loss for the period. This ratio gives an indication of the volume of future "Revenue".

Millions of euros	31/12/21	31/12/20
Backlog in the year	3,776	2,123
Revenue	2,943	2,762
Book-to-bill ratio	1.3	0.8

Backlog: this represents the volume of firm orders that will be recognised in the future under "Revenue" in the interim consolidated statement of profit or loss. An order is considered firm only when it generates obligations between the CAF Group and the customer, which, in the case of sales of trains, buses and services, is deemed to occur when the contract between the parties is signed. The outstanding amount includes only the contractual options already executed by the customer, less the best estimation of contractual penalties.

Order backlog / Revenue ratio: obtained by dividing the Backlog for the current period by "Revenue" as stated in the consolidated statement of profit or loss for the previous year. This ratio gives an indication of future turnover.

Millions of euros	31/12/21	31/12/20
Backlog - current period	9,640	8,807
Revenue for the period	2,943	2,762
Order backlog / Revenue ratio	3.3	3.2

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation): calculated by eliminating from "EBIT" the amounts shown under the headings "D&A" and "Impairment and gains or losses on disposals of non-current assets", as well as headings reflecting exceptional items or significant events that are not expected to occur in the coming years, such as those arising from litigation outside normal business operations, restructurings, costs of company acquisitions, etc.

Millions of euros	31/12/21	31/12/20
Profit (Loss) from operations	165	121
Depreciation and amortisation charge	87	89
Impairment and gains or losses on disposals of non-current assets	3	(9)
EBITDA	255	201
Other adjustments	-	-
Adjusted EBITDA	255	201

Adjusted EBITDA margin: obtained by dividing "Adjusted EBITDA" by "Revenue" as shown on the consolidated statement of profit or loss for the period. This indicator provides useful information about the Group's operating profitability.

Millions of euros	31/12/21	31/12/20
Adjusted EBITDA	255	201
Revenue	2,943	2,762
Adjusted EBITDA Margin	8.7%	7.3%

Net margin: obtained by dividing "Consolidated profit/(loss) for the year attributable to the Parent" by "Revenue" in the consolidated statement of profit or loss for the period.

Millions of euros	31/12/21	31/12/20
Consolidated profit/(loss) for the period attributable to the Parent	86	9
Revenue	2,943	2,762
Net margin	2.9%	0.3%

Working capital expenditure: calculated as the difference between current assets and current liabilities. Current assets and current liabilities exclude all items that are classified as Net financial debt, such as Cash and cash equivalents. This measure is used by CAF Group management when managing and making decisions related to the cash conversion cycle of the business, as effective working capital management enables an optimal level of investment in working capital so as not to jeopardise the company's solvency and ability to honour its short-term payment obligations. The following table provides a breakdown:

Millions of euros	31/12/21	31/12/20*
+ Inventories	487	482
+ Trade and other receivables	1,690	1,537
+ Current hedging derivatives (assets)	48	15
+ Other current assets	9	10
– Current provisions	(286)	(216)
– Current hedging derivatives (liabilities)	(69)	(20)
– Trade and other payables	(1,733)	(1,702)
– Other current liabilities	(6)	(5)
+ Deferred amounts payable to the tax authorities (Note 19)	-	5
Working capital expenditure	140	106

(*) In 2021, there was a change in the parameters of this indicator due to the reclassification to "Non-current provisions" in the consolidated balance sheet of part of the provisions for guarantees that were previously recorded under "Current provisions" in the consolidated balance sheet. This change has led to an increase of EUR 54 million in Investment in working capital at 31 December 2020.

Fixed assets: calculated by subtracting from Total non-current assets the fixed asset items that form part of the calculation of the "Net Financial Debt" indicator, non-current hedging derivatives on the assets side and deferred tax assets.

Millions of euros	31/12/21	31/12/20
Total Non-current assets	1,353	1,359
– Financial assets - Non-current assets (Notes 9-c and 14)	(9)	(8)
– Non-current hedging derivatives – Non-current assets	(35)	(42)
– Deferred tax assets	(145)	(147)
Fixed assets	1,164	1,162

Other assets and liabilities: includes the following non-current liabilities and current assets and liabilities:

Millions of euros	31/12/21	31/12/20*
+ Current financial assets - Investments in group companies and associates	2	-
+ Non-current hedging derivatives - Non-current assets	35	42
+ Deferred tax assets	145	147
– Total non-current liabilities	(1,103)	(1,258)
+ Bank borrowings and debt instruments or other marketable securities	676	809
+ Non-current interest-bearing advances (Notes 14 and 15)	6	8
– Current financial liabilities - Other financial liabilities	(49)	(63)
+ Current interest-bearing advances (Notes 14 and 15)	2	2
Total Other assets and liabilities	(286)	(313)

CAPEX: calculated as the sum of additions in the year to "Other intangible assets" and "Property, plant and equipment", excluding rights of use, which are detailed in Notes 7-b and 8-a to the consolidated financial statements.

Millions of euros	31/12/21	31/12/20
Additions to Other intangible assets	24	23
Additions to Property, plant and equipment	22	21
CAPEX	46	44

Cash-Flow: calculated as the change in Net financial debt between the previous and the current period, excluding the effect of dividend payments to shareholders.

Millions of euros	31/12/21	31/12/20
+ Net Financial Debt at the beginning of the period	311	434
– Net Financial Debt at the end of the period	(278)	(311)
+ Dividends paid to shareholders in the period	29	-
Cash-Flow	62	123

The CAF Group has adjusted the calculation of the Cash flow indicator because it believes that the new calculation method is more representative of the Group's cash generation capacity.

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-h to the consolidated financial statements.

Net Financial Debt / Adjusted EBITDA: "Net Financial Debt" divided by Adjusted EBITDA. This ratio gives an indication of the Group's ability to meet its Net Financial Debt with the cash flows generated by its ordinary activities.

Millions of euros	31/12/21	31/12/20
Net Financial Debt	278	311
Adjusted EBITDA	255	201
Net Financial Debt / Adjusted EBITDA	1.1	1.5

Gross Financial Debt: comprises the liability items that make up the calculation of "Net Financial Debt", as detailed in Note 14-h to the consolidated financial statements.

Millions of euros	31/12/21	31/12/20
Net Financial Debt	278	311
+ Financial assets - Non-current assets	9	8
+ Current financial assets	129	102
+ Cash and cash equivalents	551	574
Gross Financial Debt	967	995

Liquidity available: represents the amount of available Cash and cash equivalents plus the amount of undrawn credit facilities. It shows the Group's ability to honour its obligations from the normal course of its business. The following table provides a breakdown:

Millions of euros	31/12/21	31/12/20
Current financial assets - Current financial investments (Note 9)	129	101
Cash and cash equivalents	551	574
Credit facilities and other undrawn financial balances (Note 16)	411	440
Available liquidity	1,091	1,115

Stock market capitalisation: means the total value of the shares of the Controlling Entity issued on the stock exchange at the end of the period, calculated as the product of the number of shares issued by their quoted price on that date.

OTHER INFORMATION

	31/12/21	31/12/20
Number of shares issued (in millions of shares)	34.28	34.28
Quoted price at close	36.60	39.25
Stock market capitalisation (millions of euros)	1,255	1,346

Dividend per share: obtained by dividing the amount of dividends paid out in the year by the number of shares of the Parent issued on the stock exchange at the end of the period.

	31/12/21	31/12/20
Dividend distributed (in million euros)	34.28	-
Number of shares issued (in millions of shares)	34.28	34.28
Dividend per share	1.00	-

PER ratio: obtained by dividing the current period's average share price by "Net earnings per share".

	31/12/21	31/12/20
Average price for the year (in euros)	37.29	33.57
Net earnings per share (in euros)	2.51	0.26
PER	14.88	127.70

Average share price/adjusted EBITDA: obtained by dividing the product of the number of shares issued by the average share price for the current period by adjusted EBITDA for the period.

	31/12/21	31/12/20
Number of shares issued (in millions of shares)	34.28	34.28
Average price for the year (in euros)	37.29	33.57
Average share price (in million euros)	1,278.30	1,150.78
Adjusted EBITDA (in million euros)	255	201
Market average price/EBITDA adjusted	5.02	5.71

PBV ratio: obtained by dividing the current period's average share price on the stock exchange by the book value of the shares, where the book value is obtained by dividing "Equity attributable to the Parent" by the number of shares issued.

	31/12/21	31/12/20
Average price for the year (in euros)	37.29	33.57
Equity attributable to the Parent (in million euros)	727	633
Number of shares issued (in millions of shares)	34.28	34.28
Book value per share (in euros)	21.21	18.47
PBV ratio	1.76	1.82

Dividend yield: obtained by dividing the Dividend per share by the current period's average share price on the stock exchange.

	31/12/21	31/12/20
Dividend per share (in euros)	1.00	-
Average price for the year (in euros)	37.29	33.57
Dividend yield (%)	2.7%	0%

Pay-out: obtained by dividing Dividend per share by Net earnings per share.

	31/12/21	31/12/20
Dividend per share (in euros)	1.00	-
Net earnings per share (in euros)	2.51	0.26
Pay-out (%)	40%	0%

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).

ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for 2021 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification as Other relevant information to the Spanish National Securities Market Commision.

ANNUAL REPORT ON DIRECTOR REMUNERATION

The Annual Report on Director Remuneration for 2021 forms part of the Directors' Report and is published on CAF's website (www.caf.net), following notification as Other relevant information to the Spanish National Securities Market Commision.

I.2

NON-FINANCIAL STATEMENT SUSTAINABILITY REPORT

1 HOW WE UNDERSTAND SUSTAINABILITY

"CAF's main objective in terms of Sustainability is to conciliate the execution of its mission with the balanced meeting of the needs and expectations of the Stakeholders for the creation of value in a sustainable and long term manner. All of this is carried out in compliance not only with legal obligations, but also with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance, and Sustainability."

CAF Sustainability Policy
17 December 2020

1.1 CAF's Overall Vision and Sustainability

[102-16, 102-49, 102-40, 102-42, 102-43, 102-44]

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 has traditionally been its core business, the Group offers a wide range of products, from high-speed trains to regional and suburban trains (diesel and electric), mass rapid transit (MRT), trams and light rail transit (LRV), and locomotives, among others.
- In buses, the Group offers a wide range of battery and hydrogen buses with zero emissions, where it has held a leading position in the European market since 2012[1]. In the current financial year, the "Solaris Urbino 15 LE" model was also awarded the "Sustainability Award 2021" for the best electric bus by the prestigious German magazine "Busplaner".

CAF is adopting prominent positions with a view to extending its value offer in sustainable mobility and contributing to decarbonisation. Further information is provided in chapters "3.3 Innovation and technology" and "5.3 Sustainable and efficient mobility".

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.

The Group has a strong presence in the international market, focusing heavily on Europe, with production plants in countries such as Spain, Poland, the United Kingdom, France, the United States, Mexico and Brazil. It also has offices and rolling stock fleet maintenance centres in more than 20 countries on the five continents. All this information can be found in 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.

Experience in global sustainable mobility

- > 200 rolling stock projects
- > 20,000 buses
- > 50 markets

CAF's Mission reflects the added value in sustainable mobility of the Group's integrated transport systems, and aligned with the Mission, the Vision refers to the Group's comprehensive offer to respond to the new social needs for sustainable mobility.

MISSION

Approved by the Executive Committee on 23 December 2016

We are a multinational group with over 100 years of experience in the supply of comprehensive transit solutions positioned at the forefront of technology for high value added sustainable mobility.

The company is a leader of the railway industry offering one of the most comprehensive and flexible arrays of products in railway related markets, such as rolling stock, components, infrastructure, signalling and services (maintenance, refurbishing and financial services).

CAF's committed personnel and the cooperation with our business partners enable us to enhance customer satisfaction and create value for our shareholders.

[1] Chatrou CME solutions

VISION

Approved by the Executive Committee on 23 December 2016

Thanks to our human and technical potential, we will grow in the railway sector, strengthening our presence in the largest, most demanding world markets.

We will increase and diversify our all encompassing transportation range beyond the railway sector so as to meet society's new sustainable mobility needs.

Thanks to the culture that is shared by all the people that make up CAF, we will meet the needs of our Stakeholders in a balanced manner.

Similarly, the corporate values applied to all the Group's activities reflect the commitment to the principles set out in the Sustainability Policy and make them more present in day-to-day business. In 2021 a new corporate value has been communicated, "Health and Safety in People and the Environment".

Honesty and Integrity	Acting in the right way, conforming to the rules.
Responsibility and Commitment	Taking charge, honouring commitments.
Results and Perseverance	Providing solutions to the situations that arise and establishing actions to do so. Achieving what you set out to do by overcoming the difficulties that may arise.
Excellence and Learning	Doing things well, improving the activity and providing new solutions. Being open to learn and undertake new activities.
Cooperation and Teamwork	Working with others brings greater value.
Health and Safety of People and the Environment	Working in safe environments by reinforcing the health and safety of all people

As a result of its commitment to sustainability and the environment in which it carries out its activities, the CAF Group (hereinafter CAF) has an updated Sustainability Policy approved on 17 December 2020 by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter CAF, S.A.). This policy defines the objective, principles and commitments that the organisation promotes while undertaking its activities and is available on the corporate website.

CAF's main objective in terms of Sustainability is to reconcile undertaking its mission with the balanced satisfaction of stakeholder needs and expectations for creating value in a sustainable and long-term manner. 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 prevention of corruption and other illegal conduct,
2	Respect for Human and Basic Rights
3	Compliance with best practices in Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability
4	Transparency and Confidentiality
5	Responsible Communication
6	Fiscal responsibility
7	Innovation and Sustainability
8	Environment

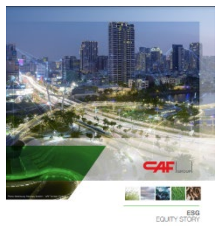
CAF continues to take steps to reinforce and consolidate the work carried out to meet the objectives set out in the Sustainability Policy, which are promoted through the Sustainability Committee. This forum is made up of a multidisciplinary team representing the areas with the greatest impact on sustainability, who are responsible for ensuring compliance with the commitments, as well as monitoring activities in this area, under the coordination of the Human Resources Department. The main responsibility of each member of the Committee is to ensure the deployment of Sustainability activities with a corporate scope in their respective areas of expertise. In this regard, he or she is the point of reference and interlocutor in this field in the areas he or she represents and the voice of these areas within the Committee. In addition, the members are responsible for communicating to the Committee relevant aspects in this area that require a shared vision to be established and for bringing relevant aspects to the executive and/or decision-making bodies in their area. In this regard, the Committee evaluates the matters submitted to it and may issue recommendations on the substance and on the most appropriate channel for processing them.

The Nomination and Remuneration Committee has been assigned the functions of evaluating and supervising the policy and practices in environmental and social matters, so that it fulfils its mission of promoting the social interest and also the processes of relations with the different Stakeholders, taking into account the legitimate interests of the latter. In compliance with the above, it is responsible for monitoring and controlling the Sustainability Policy. The Board of Directors is regularly informed of activities in the area of sustainability and stakeholder relations in accordance with the provisions of this policy.

The preparation of this report was led and coordinated by the Human Resources Department and reviewed by the Nomination and Remuneration Committee for subsequent approval by the Board of Directors.

During the 2021 financial year, CAF has continued to improve its process management in line with its increasing sensitivity to ESG issues, as well as the increase in Stakeholder requirements in the different activities. In this period, it is worth highlighting the work carried out in the following areas of action:

- Incorporation of Sustainability among the three strategic challenges on which the 2021-2022 Management Plan is structured, together with growth and profitability.
- Updating of the Materiality Analysis in accordance with the requirements of the Global Reporting Initiative (GRI) reporting standard and the latest requirements in this area.
- Drafting the first Sustainability Plan that integrates specific initiatives in this area with corporate scope and direct impact on ESG.
- Creation of the Sustainability Scorecard including the Group's main non-financial targets.
- Preparation of Solaris' first sustainability report for 2020.
- Progress in the implementation of the Corporate Management Model aligned with ISO 26000:2012 with the deployment of corporate policies on ESG matters.
- Progress in the Organisational Structure through the Sustainability Committee and specialised Corporate Forums (User Health and Safety and Cybersecurity).
- Preparation of the first "ESG Equity Story", summarising what sustainability means for CAF, its governance, main achievements and future commitments.
- Incorporation of relevant aspects of non-financial information in interim earnings releases alongside financial information.
- Creation of a specific section on Sustainability on the corporate website.
- Improved perception of the Group's performance by rating agencies in the area of Sustainability.
- Adherence to the SBTi (Science Based Targets Initiative) and Race to Zero, as part of the carbon neutrality strategy. This action is part of the alignment initiatives against climate change and with the Paris Agreement, which reinforces the company's commitment to the challenge of climate change.
- First exercise to calculate the CAF Group's carbon footprint for Scopes 1, 2 and 3 for the years 2019 and 2020.
- Continued adherence to the United Nations Global Compact by CAF, S.A., the Group's main company, confirming its commitment to the Ten Principles contained therein, which are derived from United Nations declarations on Human Rights, labour, the environment and anti-corruption and enjoy universal consensus.
- Preparation of a single document including the Statement of Non-Financial Information and the Sustainability Report following the information requirements and recommendations of the GRI Standards implemented by the *Global Reporting Initiative* (GRI), as well as the regulation relating to preparing Statements of Non-Financial Information (Law 11/2018, of 28 December), which forms part of CAF Group's Management Report.



The main objective for the next period is to continue to make progress in fulfilling the commitments included in the Sustainability Policy with the various Stakeholders in the different areas: environmental, social and governance aspects and work fronts: management, reporting and results.

1.2 Value creation and Stakeholders

[102-40, 102-42, 102-43, 102-44]

CAF's Strategic Framework is based on two pillars. The Business Strategy, which sets out which products, markets, customers and technologies to address. And the Management Strategy, which defines how this business strategy will be implemented (Company governance; policies, procedures, management committees, processes, etc.). The combination of both strategies results in creating value, in the form of Results. For CAF, creating value means satisfying the needs and expectations of its Stakeholders.

CAF does not have any market standard that supports the definition of value creation, but has established its Strategic Management Framework in response to different market standards, for example: ISO TS 22163 (IRIS), ISO 26000 and the EFQM (European Foundation for Quality Management) Model.

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.

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 record backlog and repeat business from our customers.

CAF Group has a Policy on Communication of Economic-Financial, Non-Financial and Corporate Information, and Contacts with Shareholders, Institutional Investors and Voting Advisors (in compliance with the principles of good corporate governance set out in the Good Governance Code for listed companies, approved by the National Securities Market Commission in February 2015 and revised in June 2020 and applicable legislation). 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 2021, work was carried out on preparing the Manual that implements this Policy, which aims to be a tool for implementing the basic corporate principles and criteria indicated in the General Communication Policy.

CAF aims to build a relationship of trust with the stakeholders. It therefore promotes continuous and effective communication with its Stakeholders through the following communication channels, with the aim of encouraging their participation and involvement in corporate objectives and in those areas in which their activities are affected.

Stakeholders	Communication channels
Shareholders[2]	- Shareholders and Investors Services Office - Spanish National Securities Market Commission (CNMV) communications - Annual General Meeting - Regular informative meetings - CAF Website (www.caf.net) - Whistleblowing channel - Shareholders and investors Survey
Customers	- Meetings with potential customers - Customer meetings on projects - Customer audits - Quality and Safety Management System Audits - CAF Website (www.caf.net) - Whistleblowing channel - Customer Satisfaction Surveys
People	- CAF Portal - Internal communication channels - Direct communication - Union representation - Corporate magazine - Whistleblowing channel - CAF Website (www.caf.net) - Organisation Health Survey
Suppliers	- Supplier portal - CAF Website (www.caf.net) - Supplier audits - Whistleblowing channel - Supplier Satisfaction Surveys
Society	- CAF Website (www.caf.net) - Direct relationship with public authorities - Participation at forums and in associations - Whistleblowing channel - Statement of Non-Financial Information - Sustainability Report - Society communication assessment survey (Q4/2021)

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 both the trend and the scope of the measurement:

[2] The information on shareholders is included in CAF's Annual Corporate Governance report, available on the corporate website
[2] Communication channel for both the institutional investor and the minority shareholder

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)	≥ 78% of subscribed share capital with voting rights	Positive. In line with the objective	Unchanged
Customers	Annual Railway Satisfaction Survey Biennial Bus Satisfaction Survey	≥ 84% Group sales	Positive. In line with the objective	Unchanged
Individuals	Organisational Health Index	≥ 85% Group workforce	Positive.	Improved
Suppliers	Annual Satisfaction Survey	≥ 80% Group purchases	Negative	Increase of scope Stable result
Company[3]	Satisfaction Survey	≥ 59% Group workforce	First assessment	Scope extension Stable result

Assessment of communication with stakeholders

Stakeholder	Measure	Scope	Evolution	Outlook
Shareholders	Communication Assessment Survey	Not applicable (biennial)	Not applicable (biennial)	Unchanged
Customers	Communication Assessment Survey	≥ 77% Group sales	Positive.	Scope extension Stable result
Individuals	Communication Assessment Survey	≥ 60% of the workforce	Positive.	Scope extension Improved result
Suppliers	Communication Assessment Survey	≥ 80% of purchases	Negative	Scope extension Stable result
Company	Communication Assessment Survey	≥ 59% of the Group	First assessment	Scope extension Stable result

In addition to improving the performance of the indicator, we are also working to increase the scope of the measurement to the entire Group and all Stakeholders. To this end, there is a communication process in which measurement indicators have been defined for each Stakeholder group, which have become second-level objectives and have been included in the Sustainability Scorecard.

These are monitored through the Sustainability Committee and appropriate actions for improvement are established.

[3] *The Society Interest Group for CAF Group is identified with the communities in which it operates with presence of industrial and service activities, as well as the geographies where it delivers its products and services, considering both the economic and environmental impact. In addition, CAF Group promotes a positive impact with activities in collaboration with agents that contribute to economic development (public administrations, business associations, clusters, groups of companies, etc.), knowledge generation (innovation-oriented associations, knowledge centres, research and/or technological centres, etc.), promotion of education (educational entities or entities for the promotion of employment) and social and cultural promotion (public and/or private entities supporting social and/or cultural projects), in the regions in which it operates.*

1.3. Materiality

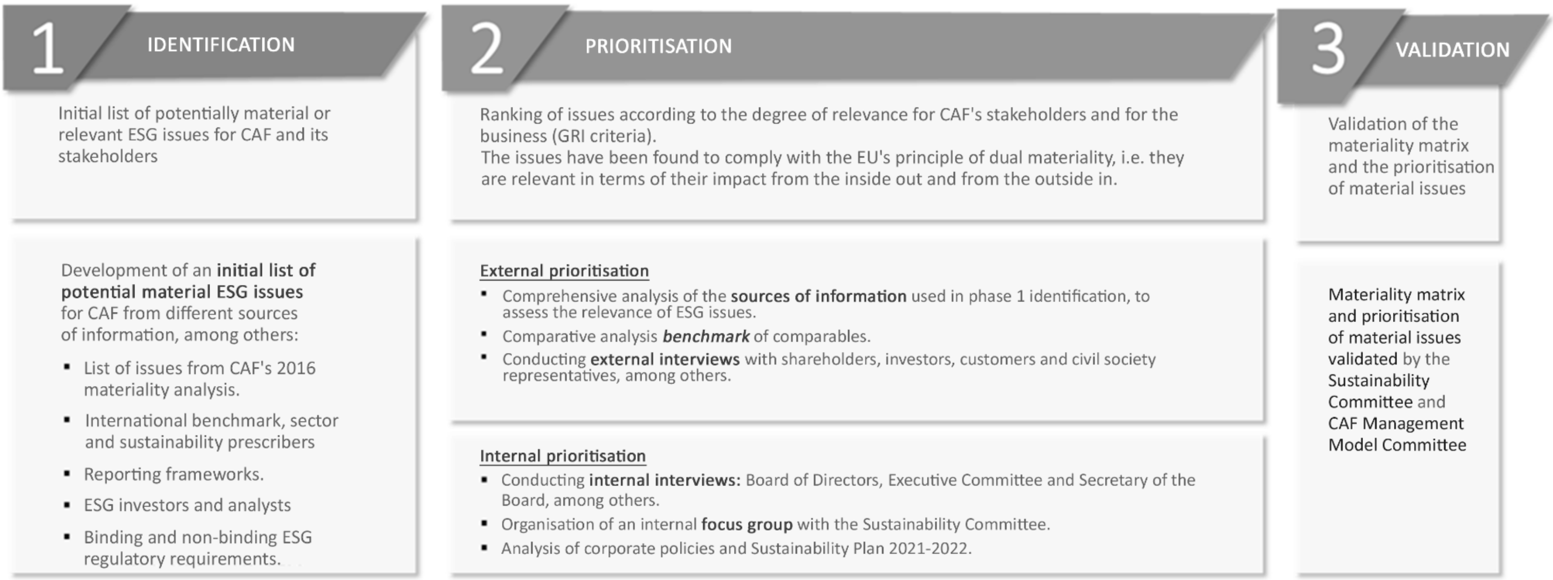
[102-44, 102-46, 102-47,103]

In the context of CAF and its sectors of activity, multiple economic, environmental and social factors intervene and define the Group's sustainability strategy and commitments. CAF's Sustainability Policy defines the Company's actions with respect to these factors under a sustainable development approach.

This Sustainability Report has been prepared on the basis of the expectations and requirements of the Stakeholders identified in this Policy, with special attention to those issues that are most relevant to them and have the greatest impact on the Group's strategy.

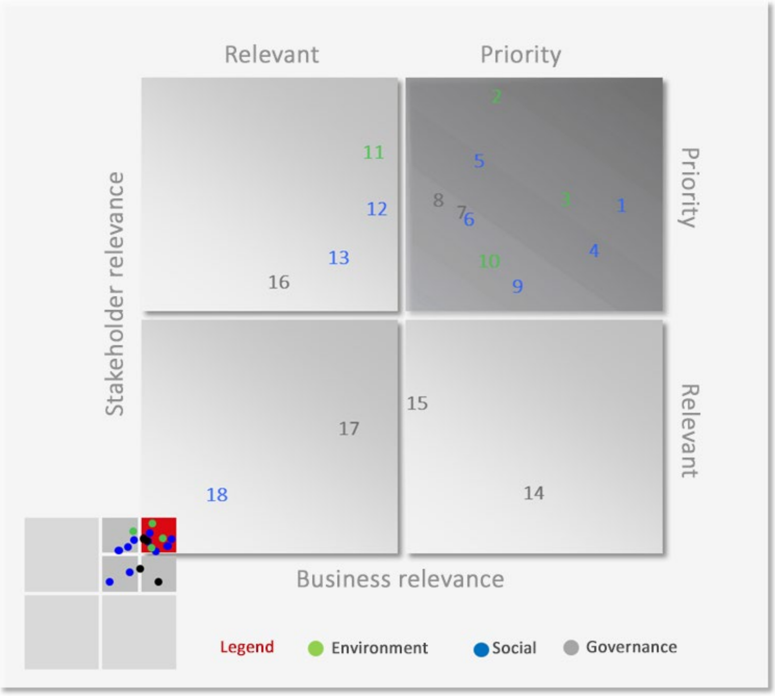
This year, CAF has updated the materiality analysis following the guidelines defined by the Global Reporting Initiative (GRI) standard, as well as Law 11/2018[4] and the Reports on the supervision by the CNMV of the annual financial reports and main areas of review for the following year. The result of this analysis was published in July 2021 in the ESG Equity Story.

In this new materiality analysis, an initial list of potentially material ESG issues for CAF and its stakeholders has been identified from different sources of information and taking into account the long term as a time horizon. These issues have subsequently been prioritised according to the degree of relevance to CAF's stakeholders and to the business. When defining the degree of relevance of each subject in the interviews carried out in the prioritisation phase, the concept of double materiality was considered, taking into account both the relevance due to its impact from the outside-in and the relevance due to its impact from the inside-out. This has resulted in a prioritised list of material issues for CAF, as well as a materiality matrix, which have been validated by CAF's Sustainability Committee and Management Model Committee.



As a result of the materiality analysis, we set out below the 18 aspects that are relevant to CAF and its Stakeholders in the area of sustainability. Throughout this report, the significant risks and impacts in relation to each of them are exhaustively described.

[4] 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.



Priority
1 Quality and safety of products and services
2 Climate strategy
3 Sustainable and efficient mobility
4 Respect for Human Rights
5 Health and safety in the workplace
6 Responsible and sustainable supply chain
7 Compliance and business ethics
8 Good corporate governance
9 Excellence in the relationship with stakeholders
10 Environmental management

Relevant
11 Circular economy and sustainable use of resources
12 Talent development
13 Diversity and equal opportunities
14 Fiscal responsibility and transparency
15 Risk and opportunity management
16 Innovation and technology
17 Information security
18 Contribution and social development

The various sections of this report respond to the issues identified, as set out in the table below. Likewise, chapter "*7. Additional information*" contains the table of contents of the Statement of Non-Financial Information, the GRI content index and the content index in relation to the Global Compact Principles.

MATERIAL ISSUES	CHAPTERS
1 Quality and safety of products and services	3.1 Quality and safety of products and services
2 Climate strategy	5.2 Climate strategy
3 Sustainable and efficient mobility	5.3 Sustainable and efficient mobility
4 Respect for Human Rights	4.3 Respect for Human Rights
5 Occupational health and safety in the workplace	4.4 Occupational health and safety in the workplace
6 Responsible and sustainable supply chain	3.4 Responsible and sustainable supply chain
7 Compliance and business ethics	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law
8 Good corporate governance	2.1 Good Governance System
9 Excellence in the relationship with stakeholders	1.2 Value creation and our stakeholders
10 Environmental management	5.1 Environmental management
11 Circular economy and sustainable use of resources	5.4 Circular economy and sustainable use of resources
12 Talent development	4.1. Talent development
13 Diversity and equal opportunities	4.2 Diversity and equal opportunities
14 Fiscal responsibility and transparency	2.4 Fiscal responsibility
15 Risk and opportunity management	2.2 Risk management
16 Innovation and technology	3.3 Innovation and technology
17 Information security	3.2 Information security
18 Contribution and social development	6. The social value of our activity

1.4 Sustainability Scorecard

Indicator	Unit	Real FY19	Real FY20	Real FY21		Objective FY21
E. CO_2[5] emissions intensity	t Co_2 eq./ MHW[6]	4.0	3.1	2.4	●	< 3.0
E. Energy consumption per hour worked	kwh/hour	3.1	3.5	3.5	●	< 3.5
E. ISO 14001 Coverage	% of the workforce	62	65	70	●	> 70
E. Sustainable solutions order book	% electric, hybrid, hydrogen	70	72	79	●	> 74
S. Number of accidents with personal injuries in passengers	number	0	0	0	●	0
S. Number of Human Rights non-compliance cases	number	0	0	0	●	0
S. Preventive culture index	1 – 4	2.8	2.8	–[7]		> 2.8
S. Frequency rate	No. of accidents with sick leave per million hours worked	20.9	18.0	17.3	●	< 18.0
S. ISO 45001 coverage	% of the workforce		47	52	●	> 47
S. Suppliers assessed out of the total Risk Mapping to be assessed	% Suppliers		89.6	84.8	●	90
S. Purchases from high/medium risk suppliers	% Purchases	2.6	2.2	3.9	●	< 2.2
S. Customer satisfaction rating	survey 0 – 10	7.5	7.5	7.7	●	> 7.5
S. Net Promoter Score Index (loyalty)	survey 0 – 10	7.8	8.1	8.0	●	> 8.0
S. Shareholder satisfaction rating	% favourable vote management report at AGM	97.7	99.9	99.0	●	> 98.0
S. Supplier satisfaction rating	survey 0 – 10	7.8	8.1	7.9	●	> 8.0
S. Organisational health index (persons employed)	survey 0 – 10	6.2	6.3	6.4	●	> 6.3
G. Administrative sanctions derived from activities in the securities 38.5 (1) 0 market and related to Competition Law	Millions €	38.5[8]	0	1.7[8]	●	0
G. Sustainalytics sustainability assessment	Risk level	High (31.8)	Medium (28.5)	Low (18.6)	●	Medium
G. MSCI Sustainability Rating	Level	BBB (5.1)	BBB (5.6)	–[7]		A
G. S&P Sustainability Rating	0 – 100	17	23	56	●	> 50
G. Ecovadis Sustainability Assessment	Level	Bronze (51)	Bronze (51)	Silver (65)	●	Silver
G. ISO 9001 certification coverage	% of the workforce	89	89	92	●	> 90
G. ISO TS 22163 (IRIS) certification coverage	% applicable railway workforce	82	82	86	●	> 85

[5] The calculation methodology was modified in 2021. See section 5.2 of this report.

[6] Not evaluated in 2021

[7] Amounts appealed in court.

1.5 Sustainable Development Goals

On 25 September 2015, the United Nations General Assembly unanimously adopted the 2030 Agenda for Sustainable Development, which contains the 17 Sustainable Development Goals (hereinafter SDGs). These goals are a universal call to action to end poverty, protect the planet and improve the lives and prospects of people everywhere.

SUSTAINABLE DEVELOPMENT GOALS

Based on the materiality analysis and considering the strategic reflection of the main challenges and SDGs associated with Railsponsible, in 2019 the Sustainability Committee carried out an internal reflection that resulted in identifying the SDGs to which CAF contributes most with its activity, aligned with the Railsponsible proposal.

Environmental Axis

Promotion of sustainable mobility

- Continuous research and development of products and services to respond to the global trend of increasing mobility, climate change and the limitation of fossil fuels.
- Designing greener means of transport, with lower noise emissions, consuming less energy in use and generating less pollution.
- Involvement with the network of national and international innovation-oriented associations.

More information in chapters 3.3 and 5.3.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES · 13 CLIMATE ACTION · 17 PARTNERSHIPS FOR THE GOALS

Reducing the environmental footprint of operations

- Developing strategies to combat climate change by increasing energy consumption and promoting energy efficiency.
- Efficient management of natural resources in production.
- Reduction, reuse and recycling of the waste produced.

More information in chapters 5.1 and 5.4

7 AFFORDABLE AND CLEAN ENERGY · 12 RESPONSIBLE PRODUCTION AND CONSUMPTION · 13 CLIMATE ACTION

Promoting Responsible Purchasing

- Sustainability commitment requirements in the Supplier Code of Conduct.
- Requirement to comply with REACH Regulation and UNIFEa Railway Industry Substance List of suppliers.
- Assessment of supplier sustainability management through the Ecovadis platform.
- Participation in the Railsponsible sector initiative for the development of sustainable practices along the rail industry value chain.
- Employee training and awareness-raising on sustainability issues.
- Development of small and medium-sized local suppliers.

More information in chapter 3.4.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE PRODUCTION AND CONSUMPTION · 17 PARTNERSHIPS FOR THE GOALS

Social and Ethical Axis

Professional development and business ethics

- Commitment to scrupulous respect for basic rights, equal treatment and non-discrimination.
- Promotion of high standards of professional ethics, prevention of fraud and corruption and respect for competition law.
- Implementation of people development and occupational health and safety policies, shared among all the Group's activities in the different geographical areas.

More information in chapters 2 and 4.

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Contribution to society

- Economic promotion of the environment through the hiring of local workers and suppliers.
- Provision of products and services in accordance with high quality and safety standards for customers and users.
- Support for entrepreneurship, through collaboration with start-ups and entrepreneurs.

More information in chapter 6.

8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1.6 Sustainable Taxonomy of the European Union

Introduction

In its Communication of 8 March 2018, the European Commission published its "Action Plan: Financing sustainable growth", with which it launches an ambitious and comprehensive strategy to make finance a key driver in moving towards an economy that ensures compliance with the objectives of the Paris Agreement and the European Union's (EU) 2030 Agenda for Sustainable Development.

In this context, the package of measures presented defines 10 concrete actions that have as one of their main objectives to redirect capital flows towards sustainable investments. As a consequence of the first of these actions, the Taxonomy Regulation, Regulation (EU) 2020/852, has been published, which aims to establish a classification system that, based on objective criteria, determines which economic activities are sustainable.

As indicated in article 8 of the Taxonomy of Sustainable Finance Regulation, for reports published from 1 January 2022 onwards on information for the 2021 financial year, non-financial companies that are public interest entities and have a number of employees exceeding 500 (as is the case of CAF Group), must disclose the proportion of eligible and non-eligible economic activities according to the Taxonomy in their total turnover, their investments in fixed assets (CapEx) and their operating expenses (OpEx), hereinafter KPIs (article 10.2 of the delegated act supplementing article 8 of the Taxonomy Regulation). So far the EU has published the Delegated Acts on climate change mitigation and climate change adaptation, which are the ones on which eligibility must be reported for this first year. An activity is eligible if it is included among the activities listed in those Delegated Acts.

Disclosure requirements for the 2022 financial year will be increased, not only for reporting on Climate Change eligibility, but also for reporting on alignment. An activity is considered aligned if it is eligible, and:

- They meet the criteria for substantial contribution to climate criteria (mitigation and adaptation),
- They do not cause significant harm to the other objectives (water protection, circular economy, pollution prevention and biodiversity),
- Meet minimum social guarantees

Scope of the report

All the companies that make up CAF Group's consolidation scope have been considered in the analysis carried out to establish the eligible activities under the European Commission's Taxonomy criteria.

Results

Below, we detail the eligibility and ineligibility of our activities, as well as an explanation of our results and our calculations.

In relation to the environmental objective "Climate Change Mitigation" the Turnover indicator shows 99.82% eligibility, the Opex indicator amounts to 99.80% eligibility and the Capex indicator amounts to 99.94% eligibility. This demonstrates the high degree of eligible activities that CAF Group has and, consequently, that CAF Group is a key player in driving the transition to a decarbonised economy.

Regarding the environmental objective "Adaptation to Climate Change" the Turnover indicator shows 81.67% of eligibility, the Opex indicator amounts to 84.55% and the Capex indicator amounts to 83.05% of eligibility.

	Climate Change Mitigation			Adaptation to Climate Change		
	Turnover (%)	OPEX (%)	CAPEX[9] (%)	Turnover (%)	OPEX (%)	CAPEX[9] (%)
A. Eligible activities according to the Taxonomy						
Total eligible activities according to taxonomy	*99.82%*	*99.80%*	*99.94%*	*81.67%*	*84.55%*	*83.05%*
B. Non-eligible activities according to the Taxonomy						
Total non-eligible activities according to taxonomy	*0.18%*	*0.20%*	*0.06%*	*18.33%*	*15.45%*	*16.95%*

Description of eligible and non-eligible activities

From the analysis carried out, it is established that according to the Delegated Regulation (EU) 2020/852, the eligible activities within CAF Group are the following:

CAF Group Activity	Taxonomy Activity	
	Climate Change Mitigation	Adaptation to Climate Change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport	3.3 Manufacture of low-carbon technologies for transport, where the technology is as defined in the Taxonomy.
Lease services	6.1 Passenger interurban rail transport	
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport	
Data-driven digital solutions for efficient performance and sustainable mobility	8.2 Data-driven solutions for GHG emissions reductions	Does not apply

Description indicators

Turnover: The turnover ratio referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that comply with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Specifically, in the case of the CAF Group, the denominator corresponds to the net turnover of the Consolidated Financial Statements for 2021.

The numerator corresponds to the net turnover of the Consolidated Financial Statements of the activities we have considered as eligible in the Taxonomy.

For the Climate Change Mitigation objective, the table below shows the activities that CAF carries out and the activities included in the taxonomy that have been considered.

[9]Additions in CAPEX linked to business combinations are not included in the figures shown. If we consider these figures, in 2021, the eligible activities based on the CAPEX indicator and under the environmental objective "Mitigation of climate change" would be 78.77%, and the eligible activities based on the CAPEX indicator and under the environmental objective "Adaptation to climate change" would be 65.46%.

CAF Group Activity	Mitigation of Climate Change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport As explained in the description of this activity in Annex 1 of the Climate Delegated Act, this includes not only manufacturing, but also repair, maintenance, refurbishment and modernisation. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities.
Lease services	6.1 Passenger interurban rail transport As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the acquisition, financing, rental, leasing and operation of passenger transport using railway equipment on long-distance networks, spread over a wide geographical area, of inter-city rail passenger transport and the operation of sleeping or restaurant cars as an operation carried out by the railway companies themselves. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the construction, upgrading, operation and maintenance of surface and underground railways, bridges and tunnels, stations, terminals, railway service facilities, safety and traffic management systems, including the provision of architectural, engineering, draughting, building inspection, surveying and mapping services, as well as services performing physical, chemical and other analytical testing of all types of materials and products. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.
Data-driven digital solutions for efficient performance and sustainable mobility	8.2 Data-driven solutions for GHG emissions reductions As explained in the description of this activity in Annex 1 of the Delegated Climate Act, it is defined as the development or use of ICT solutions for the collection, transmission, storage, modelling and use of data, where these activities are primarily aimed at providing data and analysis to reduce GHG emissions. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying the aforementioned activities.

For the Climate Change Adaptation objective, the table below shows the activities that CAF carries out and the activities included in the taxonomy that have been considered. For the activity "3.3. Manufacture of low-carbon technologies for transport" in addition to the type of activity, a project-by-project analysis has been carried out identifying the associated technologies.

CAF Group Activity	Adaptation to Climate change
Manufacture, repair, maintenance, renewal, conversion and modernisation of vehicles and rolling stock.	3.3 Manufacture of low-carbon technologies for transport As explained in the description of this activity in Annex 2 of the Climate Delegated Act, it is defined as the manufacture, repair, maintenance, refurbishment, conversion and modernisation of vehicles, rolling stock and low-carbon transport vessels, where the technology is: – Trains, passenger coaches and freight wagons that have zero direct CO_2 emissions (exhaust emissions); – Trains, passenger coaches and freight wagons that have zero direct CO_2 emissions (exhaust emissions) when running on a track with the necessary infrastructure, and use a conventional engine when such infrastructure is not available (bimode); – Urban and suburban passenger land transport devices with zero direct CO_2 emissions (exhaust emissions); – Until 31 December 2025, vehicles classified in categories M2 and M389 with a body type classified as "CA" (single-deck vehicle), "CB" (double-deck vehicle), "CC" (single-deck articulated vehicle) or "CD" (double-deck articulated vehicle), and which comply with the latest Euro VI standard. The CAF Group has carried out a project-by-project analysis identifying the technologies associated with the aforementioned activities.
Lease services	6.1 Passenger interurban rail transport As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the acquisition, financing, rental, leasing and operation of passenger transport using railway equipment on long-distance networks, spread over a wide geographical area, of inter-city rail passenger transport and the operation of sleeping or restaurant cars as an operation carried out by the railway companies themselves. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.
Construction and modernisation of rail transport infrastructure, as well as engineering and associated services (signalling, testing, etc.).	6.14 Infrastructure for rail transport As explained in the description of this activity in Annex 1 and Annex 2 of the Climate Delegated Act, it is defined as the construction, upgrading, operation and maintenance of surface and underground railways, bridges and tunnels, stations, terminals, railway service facilities, safety and traffic management systems, including the provision of architectural, engineering, draughting, building inspection, surveying and mapping services, as well as services performing physical, chemical and other analytical testing of all types of materials and products. The CAF Group has carried out an analysis of the activity or activities carried out by each Group company, identifying some of the aforementioned activities.
Data-driven digital solutions for efficient performance and sustainable mobility	Does not apply

OPEX: The OpEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the latter includes non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of tangible fixed assets, by the company or a third party to whom activities are outsourced, and which are necessary to ensure the continuous and efficient operation of those assets.

Specifically, for the CAF Group, the denominator corresponds to the 2021 consolidated operating expense accounts associated with R&D, short-term leases, and maintenance and repairs. The numerator corresponds to R&D expenditures, and the amount of the short-term leases and maintenance and repairs expense accounts associated with the activities we have considered as eligible in the Taxonomy.

CAPEX: The CapEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the denominator is the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any revaluations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator shall also include additions to tangible and intangible assets resulting from business combinations.

Specifically, in the case of CAF Group, the denominator corresponds to the total additions to cost in 2021 of tangible fixed assets and intangible fixed assets reflected in the movement of fixed assets in the Consolidated Financial Statements. The numerator corresponds to the amount of additions to cost in tangible fixed assets and intangible fixed assets of the activities we have considered as eligible in the Taxonomy.

1.7 External ESG ratings

CAF aims to improve its ESG rating, supported by the deployment of its Sustainability Policy and the Group's Management Model. The main external evaluations of CAF Group in this area in force at the end of 2021 are set out below.

Agency	Scope	Qualification	Evolution
Ecovadis	CAF, S.A.	Gold	Improved
Ecovadis	CAF Group	Silver	Improved
Sustainalytics	CAF Group	Low risk	Improved
MSCI	CAF Group	BBB	Not updated in 2021
S&Ps	CAF Group	56/100	Improved

2 GOOD CORPORATE GOVERNANCE

" Follow the best and most recognised practices of Good Corporate Governance, Risk Management, Regulatory Compliance and Sustainability in general and in particular the practices described in the CAF Group Code of Conduct, as well as in the Code of Good Governance of the Spanish National Securities Market Commission (CNMV), in the Guidelines of the Organisation for Economic Cooperation and Development (OECD), in the United Nations Global Compact, and others."

CAF Sustainability Policy
17 December 2020

2.1 Good Governance System

[102-16, 102-17, 102-18, 102-22, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-33, 102-35, 102-37]

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 Group's Corporate Governance System is based on the commitment to ethical principles, best practices and transparency, built around protection of corporate interests and the creation of sustainable value for CAF stakeholders. At the same time, the system provides for the implementation of these principles and best practices across the CAF Group's entire internal regulatory system, as described elsewhere in this report.

The CAF Group's Corporate Governance System comprises a set of principles and rules that regulate the design, integration and operation of the governing bodies and their relationship with the company's stakeholders.

In relation to the governing bodies, their definition and composition in light of this regulatory framework makes the following distinctions: (i) the corporate governance bodies (Annual General Meeting and Board of Directors of the CAF Group parent company) that adopt the decisions incumbent on the highest level of governance and decision-making bodies; and (ii) the management bodies (the Management Team as a whole) that are entrusted with the ordinary management of the Company, which, in any case, must abide by the general policies and strategies established by the Board of Directors.

This provides for the adoption and maintenance of an internal regulatory system in which ethics and sustainability govern and underpin all Group activity, aimed at achieving business objectives and complying with legal obligations as well as the implementation of widely recognised best practices.

To this end, CAF takes into account the relevant national and international benchmark principles and best practices, integrating them into its activities, at the internal regulatory level through its regulatory framework, at the organic level through the composition and distribution of functions of the governing bodies, and at the operational level through their integration into systems and processes.

As an example of CAF's commitment to the best and most widely recognised corporate governance practices, we highlight the degree of compliance of CAF S.A., in its capacity as the listed parent company, with the recommendations of the CNMV code of good governance for listed companies ("CBG"), revised in June 2020.

Recommendation	Complies	Complies partially	Explanation	Not applicable
1 – Statutory limitations	✓			
2 – Listing of companies integrated in groups				✓
3 – Information to the board on the most relevant aspects of corporate governance	✓			
4 – Policy on communication and contacts	✓			
5 – No issues with exclusion of pre-emptive subscription rights for an amount greater than 20% share capital	✓			
6 – Publication on the website of reports for the board	✓			
7 – Live webcast of AGMs	✓			
8 – Annual accounts without limitations or caveats	✓			
9 – Publication on the website of requirements and procedures to attend AGMs and exercise voting rights	✓			
10 – Shareholder proposals to complete the agenda or new proposals				✓

11 – Policy on attendance premium payments		✓
12 – Social interest	✓	
13 – Appropriate size	✓	
14 – Selection policy	✓	
15 – Majority of proprietary and independent directors	✓	
16 – Proportion between proprietary and non-executive directors	✓	
17 – Half independent directors	✓	
18 – Information about directors on the website	✓	
19 – Explanations about proprietary appointments by shareholders < 3%		✓
20 – Resignation of proprietary directors on disposal of ownership interest	✓	
21 – Non-dismissal of independent directors before the end of the mandate	✓	
22 – Information on indictments and trials	✓	
23 – Opposition to proposals contrary to the corporate interest	✓	
24 – Explanation of the reasons for dismissal before the end of the mandate	✓	
25 – Sufficient availability and max. no. of directors	✓	
26 – At least 8 meetings a year	✓	
27 - Absences	✓	
28 – Record of unresolved issues in the minutes	✓	
29 – Advice to directors	✓	
30 – Knowledge refresher programmes	✓	
31 – Clear agenda on points for decision	✓	
32 – Information on changes in shareholding and opinions of shareholders and others	✓	
33 – Chairman's duties	✓	
34 – Additional powers of coordinating director	✓	
35 – Secretary applies good governance recommendations	✓	
36 – Board evaluation	✓	
37 – Executive committee structure similar to the board and has the same secretary		✓
38 – The board is aware of matters dealt with and decisions adopted by the executive committee		✓
39 – Audit committee members with expertise in the matter and majority independent	✓	
40 – Existence of internal audit	✓	
41 – Audit committee is aware of the work plan and incidents detected by the internal audit	✓	
42 – Additional audit committee functions	✓	
43 – Audit committee can summon any employee or manager	✓	
44 – Audit committee has information on structural or corporate changes	✓	
45 – Content of risk control and management policy	✓	
46 – Existence of risk control and management function	✓	
47 – Members of the nomination and remuneration committee with expertise in the matter and majority independent	✓	
48 – Separate nomination and remuneration committees		✓
49 – Nomination committee consults the chairman on matters related to executive directors and senior managers	✓	
50 – Additional functions of remuneration committee	✓	

51 – Remuneration committee consults the chairman on matters related to executive directors and senior managers	✓		
52 – Supervision and control committees have rules consistent with all other mandatory committees	✓		
53 – Supervision of compliance with corporate governance rules, internal codes of conduct and Sustainability policy	✓		
54 – Minimum Sustainability policy content	✓		
55 – Information on Sustainability in management report or special report	✓		
56 – Adequate remuneration that does not compromise the independence of non-executives	✓		
57 – Variable remuneration only for executives	✓		
58 – Remuneration policy ensures that variable remuneration is linked to professional performance and not to general market trends	✓		
59 – Deferral of variable remuneration	✓		
60 – Results-based remuneration takes into account the auditor's caveats			✓
61 - % Significant variable remuneration of executives in shares or financial instruments		✓	
62 – Limits to the transfer of shares or exercise of options linked to remuneration			✓
63 – Existence of clawback clauses	✓		
64 – Payment for termination of contract not exceeding 2 years of total remuneration and deferred payment	✓		

As reflected in the CNMV dossier on the corporate governance reports of entities issuing securities admitted to trading on regulated markets for the year 2020 (latest year available), CAF is among the 40 companies (32% of the total sample) that followed more than 90% of the recommendations (only one company declared a higher degree of compliance), therefore exceeding the average compliance with recommendations by the entire sample, which was 83.7%.

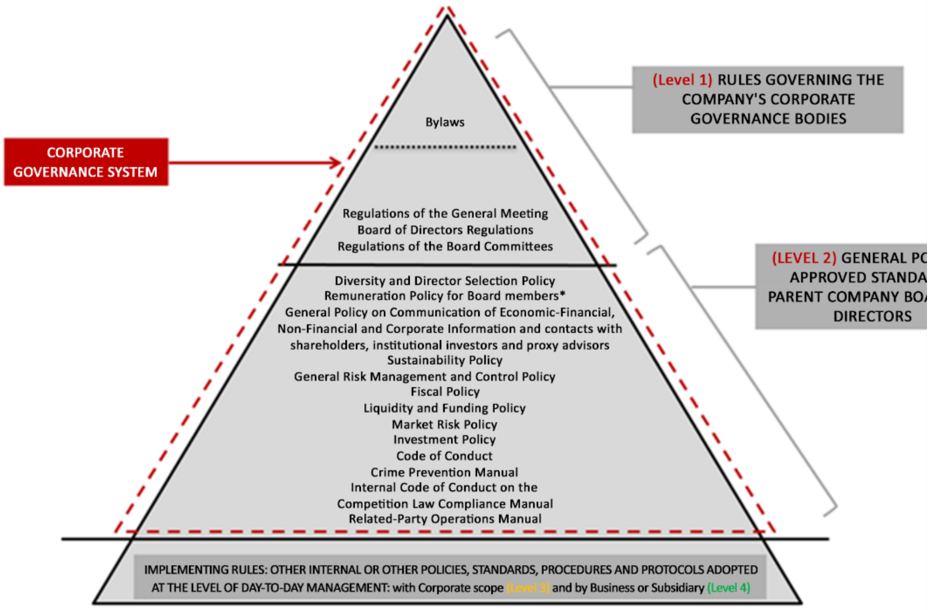
In accordance with the provisions of Article 540 of the Capital Companies Act, the Company publishes an annual corporate governance report which, approved by its Board of Directors, provides information about its ownership structure, organisation structure, related-party transactions, risk control systems, internal control and risk management systems in relation to the financial reporting process (ICFR), degree of compliance with corporate governance recommendations, and other information of interest.

The CAF Annual Corporate Governance Report forms part of the Management Report and is available on the CNMV website and the Company's own website from the date on which the latest consolidated financial statements are published.

Regulatory Framework for Corporate Governance

General regulatory framework

The general regulatory framework for corporate governance comprises the Internal Regulatory System, divided into four hierarchical levels of standards: (i) those that regulate the composition and operation of the corporate governance bodies, i.e. the Annual General Meeting and the Board of Directors of the parent company (Level 1), (ii) the general policies and specific standards that apply to the entire CAF Group, which are approved by the Board of Directors of the parent company (Level 2; these first two levels make up the "Corporate Governance System"); and (iii) the implementation standards which, at the ordinary management level and in accordance with the previous standards, may in turn be approved by the Management Team to ensure the effectiveness and integration of the good governance standards into the Group's systems and processes, and which may have a corporate scope (Level 3) and also be implemented by different activities or subsidiaries (Level 4).



*In the case of the Directors' Remuneration Policy, its approval corresponds to the General Meeting, at the proposal of the Board of Directors.

At both at the strategic and ordinary management levels, the CAF governing bodies apply and, where appropriate, develop the standards of the Internal Regulatory System at their respective levels, informing and raising awareness among the Group's various stakeholders through communication initiatives and regular training.

They also strive to adapt and update the corporate governance system as soon as possible to new legislation and the good practice codes and guidelines for listed companies which regulatory and supervisory bodies periodically publish.

The standards that regulate CAF corporate governance bodies and general policies are available to the general public on the corporate website, where they are regularly updated in line with the applicable regulations.

Effectiveness and application of the Corporate Governance System

The Sustainability Policy approved at Group level defines objectives, operating principles and commitments that effectively translate into tangible and verifiable compliance with Good Corporate Governance standards.

Aimed at achieving these objectives, CAF has established preventive measures to ensure strict compliance with the legal system in force in the territories in which CAF carries out its activities.

In accordance with the commitment to maintain a Corporate Governance System aligned with the latest legal and regulatory changes, in 2021 CAF modified the regulatory standards of its corporate bodies, primarily to adapt them to the amended Capital Companies Act as a result of Law 5/2021, of 12 April, regarding the promotion of long-term involvement of shareholders in listed companies ("Law 5/2021") which regulates remote attendance, therefore allowing annual general meetings to be held entirely online, and introduces other important changes regarding the identification of shareholders and the exercise of their voting rights, the remuneration of directors, and the system for approving and publishing related-party transactions, among other matters. Specifically, the following standards were updated during the course of the year:

Standard	Date amended
Bylaws	5 June 2021
Annual General Meeting Regulations	5 June 2021
Board of Directors Regulations	16 December 2021
Audit Committee Regulations	16 December 2021
Nomination and Remuneration Committee Regulations	16 December 2021

The updated texts of these standards are available on the corporate website.

The Group also developed and updated the corporate internal standards (Level 2) in 2021. Specifically, at its meeting of 16 December 2021, and within the framework of the above legal reform, the Board of Directors approved the CAF Group Related-Party Transactions Manual setting out the basic management rules for these operations in the Group, including their identification, analysis, approval, publication, monitoring and control. At the same meeting the Board also revised the CAF Group Crime Prevention Manual, as explained in Section 2.3 below.

In addition, it is important to note the progress made in 2021 in relation to the deployment of the Code of Conduct standards through the development and reinforcement of the Criminal and Business Ethics Compliance and Competition Law Compliance systems, respectively, which are also described Section *2.3* of this report.

Government Structure

The governance and administration of the Group and the parent company are entrusted to the Annual General Meeting and the Board of Directors.

In addition, the Company has two Board of Directors committees (Audit Committee and Nomination and Remuneration Committee).

The Annual General Meeting

The Annual General Meeting (AGM) represents all the Company's shareholders and is the highest decision-making body for the matters that fall within its scope.

These include the approval of the Group's non-financial information statement as a separate item on the agenda.

The rules governing the organisation and operation of AGMs are contained in the Bylaws and the Annual General Meeting Regulations, which are available at all times on the corporate website.

In 2021 the Annual General Meeting was held entirely online, guaranteeing the attendance and voting rights of all shareholders, with the following key indicators:

Main indicators (2021 AGM)	
Share capital	10,318,505.75 €
Shares	34,280,750
Voting rights	34,280,750
Minimum number of shares to attend the AGM	1,000
Attendance quorum	78.17 %
Average percentage of votes in favour in the approval of resolutions	96.57 %
Approval percentage of the non-financial information statement	99.99%

The Board of Directors and its Committees

The Board of Directors

Except for business that falls within the scope of the Annual General Meeting, the Board of Directors is the competent body for adopting resolutions on all kinds of matters pertaining to the corporate purpose. The Board acts as the Company's decision-making centre at a strategic level and therefore focuses its activity on providing general guidance and supervision, establishing general strategies and controlling the ordinary management delegated to the Management Team, notwithstanding the powers attributed to it by Law which cannot be delegated.

As specified below, the Committees not only exercise the powers legally entrusted to them but have other functions assigned in accordance with best corporate governance practices and recommendations.

The CAF Board of Directors is currently made up of eleven members, as described elsewhere in this report. This number of directors is considered adequate to ensure the due representation and the efficient operation of the Board, within the range provided for in the internal regulations.

The CAF Director Diversity and Selection Policy, which is specific and verifiable, 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 of the Board members by following criteria that ensures adequate diversity among the members and the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.

It further aims to ensure that the Board of Directors and its Committees have a balanced composition that enriches decision-making and contributes a diversity of points of view, in full compliance with the conditions as to suitability, both individually and jointly, of the Board and its Committees. This is achieved by using the Board's competencies matrix, which the Nomination and Remuneration Committee constantly updates.

Accordingly, the professional expertise of a candidate, based on their academic background or professional experience, or a combination of both, is taken into account to guarantee the presence of a diversity of specialist profiles on the Board of Directors who can offer contrasting perspectives and encourage multidisciplinary and constructive discussions regarding the decisions to adopt, and ultimately to enhance the performance of the Board as a whole.

The Board members have up-to-date knowledge of the Company at all times. Directors are also invited to follow knowledge refresher programmes when considered appropriate.

The members of the Committees are appointed from among the directors, taking into account the profiles best suited to the each Committee.

In particular, wherever possible the directors who form part of the Audit Committee all have the requisite knowledge of accounting, auditing and the management of financial, non-financial and business risks. Likewise, the designation of members of the Nomination and Remuneration Committee takes into account their knowledge and experience in areas such as corporate governance, human resources, the selection of directors and executives, and the design of policies and remuneration plans, in line with the provisions of the Regulations of each Committee.

All of this translates into a balanced Board composition, with a large majority of non-executive Directors (more than 80% in the current composition), an adequate proportion between proprietary and independent Directors (in line with CBG Recommendation 15), and at least one third made up of independent Directors (in line with CBG Recommendation 17).

It is also important to highlight that since 2020 the Company has had four female directors, representing 36.36% of the Board composition (above the minimum 30% required in 2021 and very close to the 40% that CBG Recommendation 15 defines as the 2022 target).

The main actions with an impact on the composition of the Board during 2021 were as follows:

- Separation of the Chairman of the Board and CEO positions and other changes: On 29 April 2021 the appointment of Javier Martínez Ojinaga as the new CEO was agreed with effect from 1 September 2021, with Andrés Arizkorreta remaining as non-executive Chairman of the Company. Meanwhile, Ane Agirre Romarate was appointed as the new coordinating director until the effective date of the separation of the Chairman and CEO positions;

- Changes in the composition of the Audit Committee: Likewise, on 29 April the Board agreed to cease Mr Javier Martínez Ojinaga as a member of the Audit Committee and appoint in his place the independent Director Mr Ignacio Camarero García as a new member of the committee; and

- Re-election, by resolution of the Annual General Meeting of 5 June, of Mr Julián Gracia Palacín as an independent Director for the statutory term of four years.

More than a third of independent directors
CBG Recommendation 17

More than 30% of women directors
CBG Recommendation 15

Accordingly, the composition of the Board of Directors of CAF, S.A. at the end of 2021 was as follows:

Name	Gender	Category	Position on the Board	Years on Board	Positions in Board Committees
Mr Andrés Arizkorreta García	M	Other External	Chairman	Over 6 years	-
Mr Javier Martínez Ojinaga	M	Executive	Executive Director	Over 6 years	-
Ms Marta Baztarrica Lizarbe	F	Executive	Director – Secretary of the Board	Over 6 years	-
Ms Carme Allo Pérez	F	Independent	Director	Between 3 and 6 years	Chairwoman of the Audit Committee
Ms Ane Agirre Romarate	F	Independent	Director	Between 3 and 6 years	Chairwoman of the Nomination and Remuneration Committee
Mr Julián Gracia Palacín	M	Independent	Director	Between 3 and 6 years	Member of the Nomination and Remuneration Committee
Mr Ignacio Camarero García	M	Independent	Director	Less than 3 years	Member of the Audit Committee
Mr Luis Miguel Arconada Echarri	M	Other External	Director	Over 6 years	Member of the Nomination and Remuneration Committee
Mr Juan José Arrieta Sudupe	M	Other External	Director	Over 6 years	Member of the Audit Committee
Ms Idoia Zenarrutzabeitia Beldarrain	F	Proprietary Director	Director	Less than 3 years	-
Mr Manuel Domínguez de la Maza	M	Proprietary Director	Director	Less than 3 years	-

In line with CBG Recommendation 18, the public information on directors containing greater detail, especially about their training and experience and their positions in other listed or unlisted companies, is constantly updated and available to the general public on the corporate website.

Remuneration of Directors

For the definition of the items and amounts that make up the remuneration system, CAF takes into account at all times the long-term interests of the Company and, in particular, guarantees a correspondence with the evolution of the Company's results and an adequate distribution of profits to shareholders.

In line with this, CAF has considered it advisable to approve a remuneration policy that takes into account the remuneration applied by comparable companies, using them as a reference when setting directors' remuneration, and at the same time taking into consideration the Company's commitment to its stakeholders.

The remuneration of non-executive directors is set at a level that in no case compromises their independence of judgement.

In relation to executive directors, and as stated in the Directors' Remuneration Policy, the parameters chosen to determine, where appropriate, their variable remuneration, must be both economic-financial and non-financial (including customer satisfaction).

These parameters are predetermined and defined in advance, and their level of fulfilment is verified by the Board of Directors once the definitive figures obtained at year-end are known. Every attempt is also made to ensure an adequate balance between variable remuneration and fixed components, therefore offering an appropriate incentive without distorting its complementary nature with respect to the fixed amounts.

Payment of the variable items is deferred until it has been verified that the performance-related parameters have been fulfilled, therefore allowing the Board of Directors to adequately measure the degree of achievement of the objectives, and also ensuring that the Company can claim the refund of any variable remuneration that may have been paid on the basis of inaccurate information.

CAF considers that this procedure reduces exposure to excessive risks and that the remuneration mix represents a balance between fixed and variable items and meets the Company's long-term objectives, values and interests.

The Annual Report on Remuneration of CAF Directors available on the corporate website includes this information in greater detail, as well as other relevant information about the Company.

The Directors’ Remuneration Policy applicable to the years 2021, 2022 and 2023 was approved by a majority of 72.10% at the Ordinary Annual General Meeting held on 13 June 2020.

The Annual Report on Remuneration of Directors for 2020, put to a consultative vote at the Ordinary Annual General Meeting held on 5 June 2021, was approved by a majority of 70.67% of the votes of the shareholders present or represented.

Performance assessment of the Board of Directors and its Committees

In accordance with its Regulations, the Board of Directors must perform an annual assessment of its own operation and that of its Committees, and on the basis of its findings it must propose 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. In line with the mandate contained in CBG Recommendation 36, every three years this process must be carried out by an external consultant, whose independence is verified by the Nomination and Remuneration Committee.

The assessment process is designed to annually determine the degree of compliance with legal requirements, corporate governance guidelines and best practices, and the Internal Regulatory System related to the operation of the bodies examined, and to monitor the action plans drawn up each financial year. The results of these assessments lead to the definition of new improvement initiatives to help the Board and its Committees design and comply with the Corporate Governance System.

The Board of Directors issued a positive assessment of its own work and that of its members and Committees in 2021, and verified that all the action plans drawn up for the year have been satisfactorily fulfilled, therefore approving the corresponding reports.

Supervision of the Board of Directors in matters of Sustainability/ESG

As the Sustainability Policy sets out, the main objective of the CAF Group is to reconcile the development of its mission with the balanced satisfaction of stakeholders' needs and expectations for the creation of value in a sustainable and long-term manner.

This has been formalised through public agreements and adherence to external initiatives, gradually leading to better results and increasing transparency.

In accordance with the provisions of the CBG, through its Committees the Board supervises all material aspects related to sustainability/ESG, drawing up specific reports requested during the year and an annual report for the year, as described below.

In any case, the Internal Audit, Compliance, Risk, Sustainability and Corporate Governance functions are able to inform the highest governance body of any concerns within the framework of their individual reports.

Committees of the Board of Directors

Audit Committee

The Audit Committee is made up of three non-executive directors, two of whom are independent, including the committee chairwoman who was appointed on the basis of her knowledge and experience in accounting and auditing. For more details about the composition of the Audit Committee, see the section on the composition of the Board of Directors.

In the wake of the publication of the Technical Guide on Audit Committees Public Interest Entities by the Spanish National Securities Market Commission, in 2018 the Audit Committee Regulations were amended in line with those guidelines and to make other technical improvements.

In 2020 the Regulations were amended again to adapt the contents to the amended recommendations in the partial reform of the CBG in June of that year, and in particular to reinforce the Audit Committee's specialist knowledge of the supervision of financial and non-financial information and risk control.

They were further amended in 2021, mainly to accommodate the new regulations on related-party transactions and other changes included in the Capital Companies Act by virtue of Law 5/2021, and to include other technical improvements and perfect the wording.

Among its new functions, the Audit Committee now has to prepare a report on related-party transactions for approval by at the Annual General Meeting or by the Board of Directors, and supervise the internal procedure established by the Company for transactions whose approval has been delegated in accordance with the applicable regulations.

In relation to Internal Control Systems, the main functions include:

- 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 submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity;

- Supervise the effectiveness of the Company's internal control and in particular of the internal control of financial reporting (ICFR);

- 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;

- Supervise the Company's internal risk control and risk management function;

- In general, ensure that the policies and systems established in matters of internal control are effectively applied in practice;

- Supervise compliance with the internal codes of conduct of the Company; and

- 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, can 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.

For the Committee to be able to carry out its functions of supervising compliance with the internal codes of conduct and the whistle-blower channel, as well as the associated internal control systems, the Compliance Function reports annually to the Audit Committee about these matters.

In the same way, the Risk Function reports to the Audit Committee every six months on compliance with the Financial and Non-Financial Risk Control and Management System and the situation of the risk map and the main risks of projects underway.

In line with the above, the Committee periodically requires information on the management of Sustainability risks and receives an annual report on the application of the General Policy regarding the communication of economic-financial, non-financial and corporate information, as well as the communication with shareholders and investors, proxy advisors and other stakeholders.

The annual performance assessment of the Audit Committee carried out in 2021 yielded a positive result, confirming that it had discharged its functions properly.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is made up of three non-executive directors, two of whom are independent, including the chairwoman. For more details about the composition of the Nomination and Remuneration Committee, see the section on the composition of the Board of Directors.

In the wake of the publication of the Technical Guide on Nomination and Remuneration Committee s by the Spanish National Securities Market Commission, in 2019 the Nomination and Remuneration Committee Regulations were amended in line with those guidelines and to make other technical improvements.

The Regulations were amended again in 2020, mainly to adapt them to the amended recommendations in the partial reform of the Code of Good Governance and to redefine the committee's sustainability and corporate governance functions.

Like the Audit Committee Regulations, the Nomination and Remuneration Committee Regulations were further amended in 2021 to adapt them to changes in the Capital Companies Act affecting directors' remuneration (Law 5/2021) and to introduce other technical improvements.

Among its new functions regarding appointments and remuneration, this Committee now has to do the following:

- Draw up a report for the Board of Directors recommending the set individual remuneration for each Director, in their capacity as such within the statutory framework and the remuneration policy and in accordance with their individual functions and responsibilities; and

- Draw up a report for the Board of Directors recommending the individual remuneration of each Director based on their performance of the executive functions assigned to them within the framework of the remuneration policy and in accordance with the provisions of their contract.

The main functions of the Nomination and Remuneration Committee in relation to Corporate Governance and Sustainability include:

- Supervise compliance with the Company's corporate governance rules and ensure that the corporate culture is aligned with the Company's purpose and values;

- Verify compliance with the Director Selection and Diversity Policy on an annual basis and report on it in the Annual Corporate Governance Report;

- Regularly evaluate and review the Company's corporate governance system and Sustainability Policy to ensure that they fulfil the mission to promote the corporate interest and take into account, as applicable, the legitimate interests of the other stakeholders;

- Supervise the Company's environmental and social practices to ensure alignment with the established strategy and policy; and

- Supervise and evaluate the way in which relations with the various stakeholders are handled.

For the purposes of exercising its functions in relation to the Sustainability Policy and practices, this Committee receives an annual report on the matter from the Sustainability Function and analyses the contents. Based on the report for 2021, the Committee concluded that both the activities and the results indicate significant degrees of progress and positive levels of achievement in relation to sustainability, confirming that the Sustainability Policy is being properly deployed.

Likewise, in relation to the supervision and evaluation of the CAF corporate governance system and rules, the Committee receives an annual report from the Corporate Governance Function.

Based on the report for 2021, the Committee concluded that the evaluation of the Corporate Governance System must be considered favourable and positive and in accordance with the highest standards of corporate governance, therefore benefiting the corporate interest and stakeholder expectations, in line with the Company's strategy in this area.

2.2 Risk management

[102-15, 102-30]

CAF's Board of Directors approved and updated the General Risk Control and Management policies on 20 December 2016 and 12 November 2019, respectively, to create a comprehensive risk control and management system and ensure that the risks of all the Group's activities are managed effectively.

The implementation of the General Risk Control and Management Policy sets out the basic mechanisms and principles for adequate management with a level of risk that makes it possible to:

- Achieve the strategic objectives set by the CAF Group with a controlled volatility;
- Provide the utmost level of guarantees to shareholders;
- Protect the CAF Group's results and reputation;
- Defend the interests of its stakeholders; and
- Ensure business stability and financial strength in a sustained way over time.

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

A uniform risk management model is applied across the entire company and all for all risk types. It consists of the following activities:

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 to which the Group is exposed, in line with the main risks detailed in the Policy
3	Analysis of the risks identified and their impact on the CAF Group as a whole: – Corporate Risks – Risks affecting the Group as a whole – Business Risks – Risks specifically affecting each activity/project, which vary in accordance with the particularities in each case
4	Risk assessment based on the level of risk that the Group considers acceptable (risk appetite)
5	The measures envisaged to address the risks
6	Regular monitoring and control of current and potential risks through the use of information and internal control systems

Additionally, there is a single catalogue of risks for the whole Group. This catalogue defines a first hierarchical level consisting of strategic, financial, legal, operational, corporate governance and compliance risks. These are subdivided into more specific risks within each of the categories. Each category or subcategory of risk clearly defines the level of risk, type of management (corporate or business) and the management measures envisaged.

The main risks related to sustainability, due to their intrinsic nature, are operational, corporate governance and compliance with Human Rights, people, the environment and the commission of crimes. For these risks, all actions must be lawful and adhere to the values and standards of conduct contained in the Code of Conduct and the principles and best practices contained in corporate policies, with a "zero tolerance" approach to the commission of unlawful acts and fraud.

Regarding the Code of Good Governance for Listed Companies, CAF complies with all the recommendations concerned with the "risk control and management function".

In 2021 CAF focused on the continued deployment of the uniform environmental risk methodology across the entire Group and the unification of the risk management dynamics in the area of occupational health and safety (OHS).

With regard to environmental risk management dynamics, progress was made on the unification of the single control framework, leading to the generation of synergies that have made it easier for the different members of the Environmental Forum to share their best practices, therefore enriching the evaluations and general control framework.

In the field of OHS risk management, the single methodology criteria are being implement for all members of the OHS Forum.

2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for Competition Law

[102-16, 102-17, 412-2, MA 205, 205-2, 205-3, MA 206, 206-1, MA 415]

Regulatory Compliance or Corporate Compliance System

The ethical principles that govern CAF's actions in the market are consistent with international standards, which is especially important in companies like CAF with global operations. The Regulatory Compliance or Corporate Compliance System comprises all the rules of the Internal Regulatory System, formal procedures and material actions that are intended to guarantee the CAF Group's actions in accordance with ethical principles and applicable legislation, and to prevent unethical or unlawful conduct, or conduct that contravenes the Internal Regulatory System, committed by the professionals within the organisation. The Code of Conduct is the essential rule and it is implemented through a specific system for each area managed directly by the Compliance Function (i.e. the Criminal Compliance and Business Ethics System and the Competition Law Compliance System, which are referred to in later sections of this report) and through the supervision of other areas managed by other managers.

For all these reasons, it may be concluded that CAF carries out its activities in accordance with ethical principles, with special emphasis on the prevention of fraud and corruption, scrupulous respect for the law, Human Rights, public freedoms and fundamental rights, the principles of equal treatment and non-discrimination, protection from the exploitation of child labour, and other principles contained in the Universal Declaration of Human Rights, in the OECD Guidelines for Multinational Companies and in the United Nations Global Compact on Human Rights, which CAF, S.A. has joined, and with full respect for the principles and laws on competition. These are priorities for CAF and therefore a fundamental aspect of its good governance and sustainability practices.

Code of Conduct

A good reputation is an essential intangible resource that favours a relationship of trust and value, both internally and externally, with all the agents with whom CAF interacts. This can only be achieved by fostering ethical conduct that promotes the relationship between the Group and the agents involved.

CAF Code of Conduct


CÓDIGO DE CONDUCTA

Drawn up in 2011, the CAF Code of Conduct sets out 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 has a relationship with the Group. Furthermore, it serves as the basis for all other codes of conduct on specific matters that may be drawn up to supplement the Group code.

The Code of Conduct is built around three pillars (ethical structural principles, behavioural criteria for CAF professionals, and implementation mechanisms), which in turn translate into a set of specific mandatory regulations.

The contents of the Code of Conduct are as follows:

Ethical structural principles ➡	Behavioural criteria ➡	Implementation mechanisms
- Scrupulous compliance with the law and Human Rights - Involvement of shareholders - Quality and excellence as our core pillar - The reputation and prestige of CAF as calling card - Protection and development of our human resources - Respect and commitment to the community and the environment - Confidentiality and transparency in all our relationships	- Relations with shareholders that seek to maximise the creation of value and share true, complete and current information - Relations with customers based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interest - Relations with suppliers and other collaborators that consider the value of competitiveness and quality in their selection - Human resources that recruit and manage staff according to criteria of equality and integrity, encourage training and promote health and safety - Relations with public bodies, with scrupulous respect for legality and integrity, as well as compliance with all regulations on Competition Law - Relations with the community and the environment, whose bases have been defined in the environmental policy and with a commitment to improve the quality of life of the people in the communities - Operations in organised markets, underpinned by information transparency and control	- Compliance Function as the delegated body responsible for advising on the adaptation of policies related to ethical behaviour and compliance with the Code of Conduct - Training related to the Code of Conduct in the annual training plan - Whistleblowing channel - Measures to be taken in case of violation of the Code of Conduct

The Code of Conduct is available on the CAF corporate website and has been disseminated to all employees through the Portal and internal corporate communication application. It is also made available to new recruits to the Group on a systematic basis.

Criminal and Business Ethics Compliance System

CAF Crime Prevention Manual

In implementation of the Code of Conduct, a crime prevention programme was introduced, leading to the creation of the CAF Group Crime Prevention Manual. Approved in its initial version by the Board of Directors of CAF, S.A. on 29 April 2015, the manual takes into account the changes introduced at the time in the Criminal Code and is built around the corporate Code of Conduct.

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 other cases.

Successive improvements and extensions have enabled the development of the Group's current highly robust Corporate Criminal Compliance System.

Meanwhile, the Criminal Compliance risk matrix provides a complete catalogue at all times of offences that may be committed by legal entities, known as "significant offences". Effectively, these are the offences that to a greater or lesser extent may be related to the corporate purpose of the CAF Group and that consequently determine the actions which 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.

The risks identified in the risk map are specifically managed: (i) through the implementation of the guidance policies and the introduction 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 Crime Prevention Manual; and (iv) by adapting the corporate Criminal Compliance System to the CAF Group subsidiaries to ensure the implementation of the general guidelines across all the Group companies as well as compliance with local regulations in countries that require the establishment of specific guidelines in accordance with their own legislation.

In relation to the legal obligation to report on contributions to foundations and non-profit entities, in 2021, as in the previous period, the CAF Group did not make any significant contribution to such organisations[10].

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 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. These impacts have a direct effect on corporate activities in the medium- to long-term.

There were no confirmed cases of corruption in 2021.

Regarding the management during 2021 of Compliance contingencies from previous years, as described in note 26 to the consolidated financial statements, CAF Brazil participates in a consortium in Brazil whose purpose is the execution of a contract for the construction of a new tram line and the supply of the fleet for the line, with CAF's scope in the consortium being mainly supplying vehicles and signalling.

Various administrative and court proceedings have been initiated in relation to this project, in which, among other issues, the potential termination of the contract, alleged irregular practices, 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. The CAF Group's subsidiary in Brazil is a defendant in these proceedings. In one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary company is appealing the imposition of this injunction while continuing its defence in the proceedings, currently in the initial phase.

In addition, in another administrative procedure initiated by the authorities of the State of Mato Grosso in relation to this project, in the second half of 2021, the administrative body fined the Consortium and its members R$ 96,170,604.55 (the subsidiary holds a 36.8% stake in the Consortium, which in the event of proportional distribution would be equivalent to approximately 5.6 million euros) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed the administrative sanction, which is in its initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to contract in Brazil. Also in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing

[10] Contributions to foundations and non-profit organisations are less than 1% of CAF Group sales.

consequences. The subsidiary is also looking into the potential involvement of any of the subsidiary's employees in alleged corrupt practices.

The management of Competition and Labour Law contingencies in 2021 are described elsewhere in this report.

For its part, 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, both the legal representatives and professionals of the CAF Group, as well as the third parties that contract with CAF Group companies, are required to observe the General Principles of the CAF Code of Conduct.

The General Principles of the CAF Code of Conduct are mandatory 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 from the exploitation of child labour, and any other principles contained in the Universal Declaration of Human Rights and in the United Nations Global Compact on Human Rights, labour and environmental rights, and fighting corruption.

The Crime Prevention Manual has been expanded to included the Due Diligence Manual for Contracting with Third Parties, which defines the minimum due diligence mechanisms that CAF Group professionals must apply in advance and systematically to assess the Compliance aptitude of Third Parties (i.e. Business Partners, Commercial Consultants and Suppliers) who contract with a CAF Group company, and which must be interpreted in conjunction with the CAF Group's Competition Law Compliance Manual and any implementing regulations.

All third parties that contract with the CAF Group have therefore previously been assessed in line with this procedure because the CAF Group can only contract with third parties that pass the compliance assessment.

Consequently, 100% of the Third Parties with which the CAF Group contracts are previously evaluated in accordance with the procedure described, since the CAF Group can only contract with Third Parties that obtain a favourable evaluation as "suitable" at the Compliance level. Furthermore, the CAF Group's culture of compliance has evolved favourably and with significant backing, as shown for example by the annual figures for internal enquiries about Business Ethics and Criminal Compliance:

	2021	2020	2019	2018	2017
Number of enquiries	107	80	41	33	19

For Due Diligence in Human Rights matters, see the corresponding section in this report.

Dissemination and Training in Criminal Compliance and Business Ethics

The CAF Group’s corporate internal communication application, which can be accessed from any device at any time, has a specific section on Compliance that gives all CAF Group employees access, in a single common place, to the most important rules and working documents on Criminal Compliance and Business Ethics, Competition Law Compliance and Market Abuse, distinguishing between the corporate area and specific countries.

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.

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 2021.

At year-end, the training module on the Corporate Compliance Manual had been launched to the Group's entire scope of consolidation. 98% of the employees included in the training plan in this connection completed it. Since the start of the programme, more than 6,300 people have received training (more than 5,600 people in 2020). More than 700 people received training in 2021. 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 constantly revised and updated.

In addition, 100% of the CAF Group's activity partners, in all the regions in which the Group operates, are informed of the existence and mandatory nature of their compliance with the General Principles of the CAF Code of Conduct.

International adaptation of the Criminal Compliance and Business Ethics System

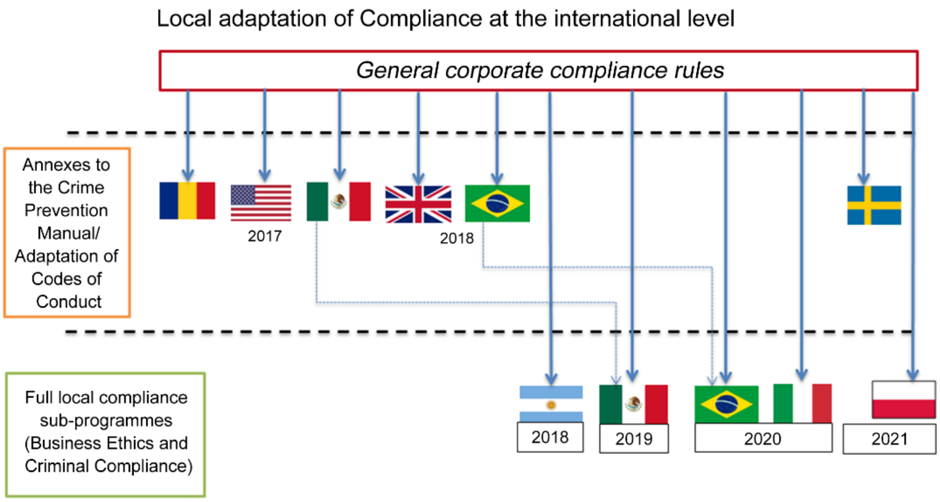
The CAF Group's Crime Prevention Manual is binding for all the Group's Spanish and international subsidiaries, and shall also be adapted to the particular features and requirements of the legislation applicable to the international subsidiaries. As a result and as indicated above, the manuals receive 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 2021 resulted in 74 foreign subsidiaries in 38 countries across the five continents.

The basic adaptation of the Crime Prevention Manual in the different activities and subsidiaries of the CAF Group is carried out systematically whenever a new subsidiary is created and within the framework of the integration plan when an existing company which joins the CAF Group.

At the international level, crime prevention materials can be adapted for a specific country – and in certain cases for a specific subsidiary – by adapting the general corporate guidelines contained in the Crime Prevention Manual and by developing a Compliance sub-programme to set more specific guidelines, all of which will depend to a large extent on the existing legislation in the country in question and on the degree of flexibility provided by those regulations to maintain the common corporate model or not.

More specifically, in 2021 the following set of internationally implemented Criminal Compliance regulations were in place: 6 countries in which the general guidelines contained in the Crime Prevention Manual were adapted, and 5 countries that have their own complete Criminal Compliance sub-programme with specific guidelines.



Revision of the Crime Prevention Manual

We should also highlight that the Crime Prevention Manual is regularly revised and updated. More specifically, the manual was revised in 2016 and 2018, and then the 2018 version was revised in 2021 to adapt it to new legal developments in the criminal area as well as to make minor adjustments to improve its reception from a corporate point of view. Likewise, the structure of the Compliance Function has been adapted to incorporate changes in the best practices in this area. When any new version or development of the manual is approved, the appropriate dissemination and training measures are adopted.

Even so, the Crime Prevention Manual establishes that, whenever appropriate, the risks of committing the crimes referred to in the manual should be reassessed and the relevant internal risk map updated, and that this reassessment should in any take place at least every four years.

In 2021 the criminal risk map for each activity in the railway segment was amended and the complete reassessment of the criminal risk map entered a second phase consisting of revising the preventive controls. The third phase will address the technological deployment to manage these matters in line with the CAF Group's IT strategy.

Competition Law Compliance System

The CAF Group Code of Conduct establishes the Company's commitment to comply with any local, national or international regulations on Competition Law.

To honour this commitment and effectively prevent the risks of regulatory non-compliance in matters of competition law, the Group has implemented a corporate Competition Law Compliance System.

The design and implementation of the Competition Law Compliance System took into account the criteria of the corporate risk control and management methodology and the existing harmonised regulations, resulting in the creation of a model similar to the Crime Prevention and Business Ethics model.

In 2019 the Board of Directors of CAF, S.A. approved the CAF Group Competition Law Compliance Manual, which establishes the premises and corporate scope of the Competition Law Compliance System.

Within the framework of this Competition Law Compliance System, in 2020 the CAF Compliance Function approved a corporate model procedure for competition inspections (known as dawn raids) to supplement the system, all of which represented significant progress in regulatory

Competition Law Manual

compliance at the corporate level. The Competition Manual was also supplemented with an evaluation procedure for consortiums with competitors, to be applied systematically if any business partners with which the CAF Group plans to contract are also competitors.

Regarding risk management in this area, the year 2021 saw completion of the first phase of the complete reassessment of the competition risk maps for each activity of the railway segment. The start of the second phase, which will consist in revising the preventive controls, will depend on any changes and the approach adopted for the part concerning Business Ethics and Criminal Compliance.

The main topics or specific contingencies in this area that were managed in 2021 are described below:

As described in note 26 to the consolidated financial statements, 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 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 issued an administrative decision ordering the subsidiary to pay a fine of BRL 167,057,982.53 and advised the competent authorities not to grant the subsidiary certain tax benefits for a period of five years. The subsidiary has appealed CADE's decision in court, following the completion of CADE's administrative process.

Also, as a result of the investigations carried out by CADE, other authorities, including the State Public Prosecutor's Office of Sao Paulo-MP/SP, initiated legal proceedings, either against CAF Brasil, CAF S.A. or any of its employees.

With regard to the penalty proceedings initiated in December 2017 by the Spanish National Markets and Competition Commission (CNMC), as of the date of this report the case concluded with notification of the resolution on 30 September 2021, bringing to a close the administrative route that has been the subject of a contentious-administrative appeal before the National High Court. The main aspects of the case and the resolution, which affect CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary allegedly joined the cartel initiated in 2002 by other entities, consisting of distribution agreements between the various companies involved. The subsidiary company was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) and received a fine of 1.7 million euros. CAF, S.A. is jointly and severally liable for payment of the fine based on the economic unit that makes up the parent company and subsidiary for the purposes of competition regulations. As part of this same case, two former directors of CAF Signalling were also fined. At the time of this report, CAF, S.A. and CAF Signalling have filed a contentious-administrative appeal against the CNMC resolution, requesting the precautionary suspension of payment of the fine until the National High Court rules on the merits of the matter. In addition to the above, CAF Signalling has also requested the suspension of the planned proceedings regarding a prohibition on contracting.

The CAF Group's culture of compliance in competition matters has been manifested by the awareness shown internally by professionals who face this problem, most notably in the way they assess potential consortiums with competitors and any interaction with them.

The internal enquires regarding Competition are shown below:

	2021	2020	2019	2018	2017
Number of enquiries	13	17	8	6	1

Dissemination and Training in Competition Law Compliance

Training related to the Competition Law Compliance Manual was carried out through the usual channels, starting with Senior Management and working down through all the other levels.

Specifically, the training consists of three online e-learning modules corresponding to the three corporate Competition Compliance standards mentioned above.

At the date of this report, 95% of the employees included in the Competition Compliance training plan had completed it. Since the start of the programme, more than 880 people have received training (more than 400 people in 2020). More than 460 people received training in 2021.

With regard to awareness raising measures, the CAF Group corporate communication app has a specific compliance section with a Competition sub-section that provides all employees with access, in a single common place, to the most relevant standards and models. The app also contains the forms and other work tools which the CAF Group provides for employees to help them carry out the mandatory competition controls properly.

Compliance Function

The Compliance Function is the body of the CAF Group, with autonomous surveillance and control powers, which is entrusted with the supervision and operation of the Corporate Compliance System as a whole and the Criminal Compliance and Business Ethics System and the Competition Compliance System in particular.

The Compliance Function may have a single-person or collegiate composition (the latter was the case in 2021), and all its members and the other people who carry out compliance tasks in the CAF Group as part of their main occupations must have the necessary knowledge, skills and experience to perform the functions entrusted to them. In particular, they must have integrity, autonomy and independence to be able to exercise their Compliance Function powers and avoid possible conflicts of interests (the Compliance Function Operating Rules describe various safeguard mechanisms for such situations), and no member may remain in the position if any convictions for unethical or illegal behaviour are directly attributable to them.

The members of the Compliance Function are appointed, replaced and dismissed by the Board of Directors or by the Chief Executive Officer, and they report their activity to the CAF Board of Directors, either directly or through a report to the relevant Board Committee, depending on the nature, scope and content of the report.

In any case, the Compliance Function approves at least one activity report for the year as an annual report.

The Operating Rules contained in the Crime Prevention Manual constitute in themselves the basic Compliance Function Regulations, although the Compliance Function has the power to approve separate regulations (which must be revised if deemed appropriate) within the framework of the functions and powers conferred on it by the CAF Board of Directors.

The Compliance Function may also appoint Compliance Officers in CAF Group subsidiaries or branches located in jurisdictions where demanded by the local legislation, or where recommended due to the size or characteristics of the subsidiary or branch.

Whistleblowing channel

The Crime Prevention Manual and the Competition Law Compliance Manual establish a general whistleblowing channel to report complaints, which is managed by the Compliance Function. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. If the complaint merits more attention, the documentation may be sent to the relevant department for the purpose of conducting a joint assessment of the facts and determining the measures to be taken.

The Compliance Function reports to the Board of Directors or the Audit Committee or General Management, depending on the circumstances and nature of the presumed infringements detected. In all cases, the Audit Committee is responsible for supervising the functioning of the whistleblowing channel.

Stakeholders or other third parties → **Whistleblowing channel** → **Compliance Function** → **Board of Directors/ Audit Committee/ General Management**

The CAF Group internal regulations establish the possibility of setting up other channels to receive complaints in jurisdictions where demanded by the local legislation.

The general whistleblowing channel is available at all times 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 potentially significant irregularities, whether financial or accounting irregularities, or irregularities of any other type related to the Company, which they may detect in 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. The Compliance Function also coordinates with the person responsible for receiving complaints through other special channels which affect CAF employees, such as those related to situations concerning discrimination, harassment, bullying or safety at work and which are mentioned in the relevant section of this report.

Throughout 2021, the complaints mailbox was checked daily and monthly checks were also carried out to ensure that it was working properly. During this time, no formal complaints were received through the general CAF whistleblowing channel, although:

- It was noted that a business partner was excluded from a consortium for not complying with the CAF compliance standards;
- Checks related to a supplier Compliance contingency were carried out; and
- Two preliminary investigations were carried out in relation to two projects, with the corresponding monitoring in each case.

Issues from previous years were also monitored.

In 2021, five complaints were received in the special workplace whistleblowing channels and were investigated internally. The relevant labour measures were applied in all cases, leading to disciplinary dismissals in two cases.

The breakdown and trends in complaints and internal investigations carried out in the CAF Group over the last three years are shown below:

	2021	2020	2019
General channel complaints	0	0	3
Internal investigations without prior complaint	3	2	0
Complaints in special whistleblowing channels	5	1	n/a

2.3 Fiscal responsibility

[102-16, MA 207, 207-1, 207-2, 207-3]

Mission and Commitment in tax matters

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.

Principles of action in tax matters

The following principles for CAF's actions in tax matters are a development of the fundamentals of the Code of Conduct, the Sustainability Policy and the General Risk Control and Management Policy, and should guide the actions of all those persons and entities to which they are applicable:

1. Comply at all times with its tax obligations, always endeavouring to comply with the deadlines set out by tax regulations, both for the payment of taxes and for other tax obligations. To this end, CAF will ensure the quality, veracity and security of the information and data, as well as the accuracy of its tax returns.

2. To collaborate at all times with the Tax Authorities, providing the information and documentation of tax importance requested by the competent tax authorities and other regulatory bodies, in a complete and truthful manner, and in the shortest possible time.

3. Avoid the use of opaque structures, processes or systems designed exclusively for tax purposes, or for the purpose of preventing the Tax Administrations from knowing who is ultimately responsible for the activities or the ultimate owner of the assets and rights.

4. Avoid investments or transactions in or through territories classified as tax havens under Spanish law, or territories with low or zero taxation, for the sole purpose of reducing the tax burden. Investments or operations in these territories will only be permitted when they respond to business reasons and are aimed at undertaking the activity included in CAF's corporate purpose, subject to prior approval by the Board of Directors in the cases provided for by law and regulations.

5. Commit to ensure that there is always a valid economic rationale for tax actions.

6. Prevent and reduce, as far as possible, tax risks in the course of its activities, while maintaining a prudent risk profile. In this framework, investments and operations that may represent a particular tax risk will be carefully assessed.

7. Ensure compliance at all times with the obligations relating to related party transactions, maintaining a responsible transfer pricing policy in accordance with the arm's length principle, thus avoiding the erosion of tax bases through non-arm's length pricing.

8. Manage its intangible assets responsibly, avoiding the use and generation of intangible assets for purely tax purposes.

CAF's Tax Policy specifies that all the principles mentioned above will be implemented in accordance with CAF's general principles, specifically those relating to good faith and integrity vis-à-vis all stakeholders.

Monitoring and control

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 activities 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.

Stakeholder engagement and concerns management in tax matters

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.

Country-by-country reporting

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:

-	2021 (thousands of euros)		2020 (thousands of euros)	
	Profit (Loss) before tax[11]	Income tax paid (recovered)[12]	Profit (Loss) before tax	Income tax paid (recovered)
Germany	2,822	430	3,658	1,553
Saudi Arabia	17,422	1,718	5,636	805
Australia	1,112	508	551	220
Brazil	25,632	6,703	23,809	3,806
Chile	2,401	(25)	90	(838)
Colombia	339	598	54	2
Spain	7,826	987	(98,377)	1,751
Israel	1,301	653	(139)	50
NAFTA[13]	38,594	10,212	43,095	24,534
Poland	24,485	12,318	26,601	6,236
United Kingdom	5,031	86	225	238
Sweden	(7,312)	899	(5,646)	(854)
Other	2,127	1,639	1,483	770
Adjustments[14]	8,052		48,037	
	129,832	**36,726**	**49,077**	**38,273**

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 5,238 thousand in 2021 (2020: EUR 5,366 thousand).

[11] Profit or loss before tax in each country, including additional consolidation adjustments to eliminate dividends and internal margins, among others.
[12] Tax payments in 2021 obtained from the consolidated statement of cash flows of the consolidated financial statements. These tax payments include payments on account of tax accrued in the year, as well as the settlement and adjustment of taxes accrued in previous years. Note 18 to the consolidated financial statements details the significant tax adjustments that determine the tax bases of each country, mainly the tax credits the Group maintains in Spain and the temporary adjustments to the tax base in Brazil and NAFTA due to accelerated depreciation.
[13] This group includes countries in respect of which the related disclosures would involve revealing information that is protected by means of confidentiality clauses. With the current breakdown and that included in the individual and consolidated financial statements, investors and other stakeholders receive sufficient information to understand the Group's performance, results and situation and the impact of its activities.
[14] Profit or loss of entities accounted for using the equity method with elimination of the provision of investees on consolidation.

3 RESPONSIBLE BUSINESS AND INNOVATION

"Maintain and increase both its internal technological capacity and the quality and safety of the projects, products, and services it provides to its clients, ensuring that these guarantee the Sustainability of the company."

CAF Sustainability Policy
17 December 2020

3.1 Quality and safety of products and services

[MA 416, 416-1, 416-2, MA 417]

At CAF we believe that in order to provide safe products and services to our customers and achieve maximum customer loyalty, we must involve all stakeholders in our operating processes (design, supply, manufacturing, validation, delivery, warranty and maintenance).
Thanks to its extensive experience in the development and implementation of the Management System, CAF collaborates with other stakeholders (operators, maintainers, suppliers, integrators, etc.) in working groups led by UNIFE with the aim of evolving and improving international regulations on quality and safety.

Product and service quality

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 described in the chapter "*2.2 Risk management*".

Process quality management systems

CAF management also undertook to implement process quality management systems in our organisations to ensure complete customer orientation and maximise customer satisfaction and loyalty, balanced with the results obtained by other stakeholders. This management system is certified or accredited under various standards, including the quality standards listed below.

Certificate	Field	Scope	Outlook
ISO 9001	Quality Management	92% Group workforce	Unchanged
ISO TS 22163 (IRIS)	Railway applications — Quality management system	86% staff of the Railway activity (design and manufacturing)	Unchanged

The management model was rolled across the entire Group and the actual scope of the system in each field therefore exceeds the scope of the certificates. The model is adapted to local legislation, customer requirements or the specific nature of the activity.

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.

It should also be noted that CAF is a founding member of the International Rail Quality Board (IRQB), a global consortium that brings together leading companies in the railway sector: operators (customers), system integrators (competitors) and equipment manufacturers (suppliers). Established in September 2018, the IRQB aims to foster a global culture of quality throughout the rail sector, especially by promoting the use of the IRIS Certification® system worldwide, to ensure high product quality. We believe that better quality will ultimately improve daily mobility in sustainable and collective transport, rail and bus.

Communication with customers and guarantee of supply

In the market prospecting phase and before a project or order is awarded, the main channels of communication with potential customers are the website, trade fairs, magazines, social media, meetings, etc., usually included in the Marketing Plan.

CAF's contracts include numerous requirements related to meeting delivery deadlines, approval needs, manufacturing sourcing requirements, and other operational risks. Accordingly, once the project is awarded a multidisciplinary project team is formed, led by a manager, to execute the contract in line with the agreed quality, safety, cost and deadline, and also to maintain constant communication with the customer. This relationship makes it possible to anticipate the resolution of possible unforeseen events in an efficient and coordinated manner.

The specific communication channels with each customer are usually agreed at the beginning of the project or order. They typically include monthly reports, manager-level project follow-up meetings, and quarterly high-level project follow-up meetings. Additionally, the document management tool to be used for official project communications is agreed with the customer, as well as the approval flows and valid interlocutors (for example: Aconex, minutes of official meetings with the customer, project management plan, scorecard, project indicators, etc.).

The documentation provided to the customer in the project phase usually includes product safety manuals and documentation, accompanied by specific training on the correct use of the product.

In accordance with the "General policy for communication of economic-financial, non-financial and corporate information, and contacts with shareholders, institutional investors and proxy advisors", CAF uses annual satisfaction surveys with its customers to assess the efficiency of its communication channels, as described in the section "*1.2 Value creation and Stakeholders*". In 2021, as well as expanding the coverage of the survey, the result was positive and sustained over time. The objective is to consolidate this position and further expand the coverage of the survey.

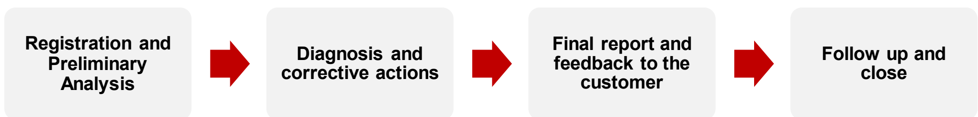
Additionally, and exceptionally because of Covid-19, CAF reinforced its communication channels with customers. As shown in the 2021 survey, customers were satisfied with how this contingency was managed.

Customer complaint management

To meet customer expectations throughout the entire life cycle and ensure compliance with the applicable legal requirements, a proprietary quality and safety 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.

CAF understands a customer complaint to be any formal complaint received from the customer about contractual aspects that cannot be classified as any of the following: (i) deviation report, (ii) pending points or customer cautions, (iii) deviations from customer audits, or (iv) quality lists shared with customers, with open points derived from product or process quality inspections.

Once the complaint is received, CAF follows the procedure for managing customer complaints, which comprises the following phases:



- Preliminary analysis or pre-diagnosis: A preliminary analysis of the complaint is carried out, initiating the complaint process and recording the initial information.
- Diagnosis and corrective actions: The complaint is shared with the technical team, who analyse and discuss the information received and then prepare the diagnosis, jointly defining the following aspects:
  - The need or not for immediate or remedial action. If needed, immediate/remedial actions are established with those responsible and deadlines.
  - The root-cause analysis of the complaint, using different problem-solving techniques such as the "5 Whys", "Ishikawa", 4D, 8D, etc.
  - The definition of corrective actions, establishing those responsible and deadlines.
- Final report and feedback to the customer: Once the analysis has been carried out, the complaint report is drawn up and sent with initial feedback to the customer by the agreed deadline.
- Follow-up and closure of the complaint: Active customer complaints (pending closure) are regularly monitored, as well as the status of immediate/remedial actions and corrective actions derived from them. Once all the actions of a complaint have been carried out, the complaint is formally closed and the Non-Conformity Report (NCR) is prepared.

To evaluate the correct implementation of this process, in addition to the previously mentioned customer satisfaction indicator, CAF also has a poor-quality cost indicator. Customer complaints form part of the poor-quality cost, among other aspects. The change in the aforementioned indicator was positive in 2017 to 2021 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.

Indicator	Measure	Scope	Change	Outlook
Non-Quality Costs	Internal	70% of sales	Positive. Above target	Scope extension Unchanged

Product and service safety

In accordance with the provisions of the Sustainability Policy, in 2020 the Group defined the Safety Policy, which is corporate in scope, with the aim of establishing the basic principles that enable us to offer safe products and services for users, customers and other stakeholders.

For these purposes, product and service safety is considered to be everything that relates to the physical safety of individuals using our products and services, as well as the IT security of our products, services and facilities. The scope therefore excludes everything related to occupational health and safety, for which there is a separate policy.

Since this policy addresses two different areas (Safety and Cybersecurity), two corporate manuals were defined in 2021, the first to deploy the principles regarding user safety and the second to deploy the cybersecurity principles.

Health and physical safety

This year the aforementioned Safety Policy Manual was defined to deploy the principles regarding user safety, approved by the Executive Committee and which contains more details about the policy to facilitate its deployment and implementation. The Group also defined and approved the safety governance model, which describes the roles and responsibilities regarding safety at both the corporate level and the individual level of each activity performed in the Group. CAF also appointed the Corporate Safety Manager and established the Corporate Safety Committee to continuously improve the management and awareness of safety across the organisation and to comply with legal obligations and stakeholder needs and expectations.

The Technology Department is responsible for ensuring compliance with the Safety Policy. Failure to comply with the commitments regarding safety in the area in which CAF carries out its activities can have a direct impact on the health and physical safety of people. The risks that CAF faces in this area are, among others, and ordered by the time horizon of the impact: (i) stoppage of operations if a safety problem arises or is suspected, (ii) return of products and services suspected of not being safe, (iii) fines and/or lawsuits initiated by customers or other affected parties, and (iv) reputational damage impacting the Company's relationship with all the stakeholders. The management of these risks is integrated into the corporate risk control and management system described in the chapter "2.2 Risk management".

As stated in the Safety Policy, CAF's objective is to continuously promote and improve safety management to ensure compliance with legal and contractual obligations and to satisfy the needs and expectations of customers and other stakeholders.

The Group's organisations each have their own safety management system, although these are integrated into the Group's management system. All systems have undergone mandatory (and, more usually, voluntary) certification process that certify their solvency and compliance with the basic regulatory and legislative benchmarks on which they are based. Meanwhile, the Corporate Safety Committee ensures that synergies are harnessed to align the systems.

In general, therefore, the activities associated with the railway sector verify the conformity of their safety management systems with the EU 402/2013 and/or 779/2020 Regulations (and subsequent amendments), which refer respectively to the adoption of a common safety method for risk assessment and the mandatory certification of entities in charge of vehicle maintenance. Most of them comply with the provisions of the European reference standard on rail safety: EN 50126: 1999 (or its most recent version of 2017) "Railway Applications - Specification and Demonstration of Reliability, Availability, Maintainability and Safety (RAMS)".

Certificate	Field	Scope	Outlook
EU 779/2020 (Rail Europe)	Maintenance Safety Management	85% staff of the Railway activity	Unchanged
EU 402/2013 - EN 50126 (Rail)	Operational Safety Management	91% staff of the Railway activity (design and manufacturing)	Scope extension

It should be noted that it is also common for customers and/or relevant authorities to require the assessment of all projects prepared for the railway sector according to processes regulated either legally or in accordance with the relevant prescribed regulations. These project conformity assessments require the additional participation of independent bodies to judge the degree to which the safety management systems apply specifically to the development of each product (or provision of each service).

In the bus sector, products are subject to international legally established approval processes which on their own guarantee safety. Even so, these are supplemented by the Group's commitment to establish its own safety management system (currently in the process of development), which is also based on compliance with the ISO 26262 standard "Road Vehicles – Functional Safety".

The CAF policy also establishes a commitment to protect people from both physical and IT accidents and incidents originating with or relating to our products and services.

As the following indicators clearly show, the early identification of safety incidents proves that the implemented safety system guarantees compliance with the target of zero accidents. The safety incident indicator shows a stable trend in line with this target.

Health and physical safety indicators	Measure	Scope	Change	Outlook
Security incidents	Safety incidents without personal injury 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

Any safety incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Lastly, it should be noted that CAF is a member of UNIFE's "Safety Assurance Mirror Group". This group contributes to the activities of the ERA in relation to the Railway Safety Directive (EU) 2016/798, which establishes provisions to ensure the development and improvement of the safety of the Union's rail system. It contributes to the development and application of the Common Safety Methods (CSM) and Entities in Charge of Maintenance (ECM) Regulations, as well as the activities of the ERA in Safety Culture and Human and Organisational Factors.

The Group also shares topics related to standardisation, such as railway safety standards EN50126, EN50128 and EN50129.

CAF is also a member of the CENELEC WG26 Forum, which aims to establish cybersecurity railway regulations based on IEC62443.

Product cybersecurity

Digital transformation is bringing substantial benefits in the efficiency and reliability of operations in the transport sector, as well as a better experience for passengers, but it is also inevitably increasing the vulnerability to cyber threats. Systems are increasingly based on networks (signalling, passenger information, control centre, etc.) that use standard communications (IP-based) and other digital technologies (sensors, etc.)

Likewise, the standards and regulations regarding cybersecurity, such as the European NIS directive and other technical specifications such as TS50701 (IEC62443) for the railway sector, or the new regulation R155/R156 for the automotive industry, require compliance with current legislation as well as the organisation's adaptation to market trends and requirements.

Consequently, and based on the principles established in the Safety Policy, CAF has established a product cybersecurity management model that is being deployed through a "master plan" to ensure that cybersecurity is integrated into the design, manufacturing, testing and maintenance of all our products and services.

3.2. Information security

[MA 418]

The information security management model is based on the recently approved Security and Safety Policy and the international standard ISO27001. In 2021 the Executive Committee defined and approved the "Cybersecurity Policy Development Manual", which explains the policy in greater detail to facilitate its deployment and implementation.

The Group also defined and approved the information security governance model, which describes the roles and responsibilities at both the corporate level and the individual level for each activity performed in the Group. A "Corporate Cybersecurity Manager" was also appointed and the Corporate Cybersecurity Committee was created. All of this greatly reinforces information security management and its continuous improvement, guaranteeing the deployment an information security culture across the entire organisation and establishing all the necessary organisational and technical measures to guarantee the confidentiality, completeness and availability of information.

The model is governed through the aforementioned cybersecurity committee, which among other things is responsible for implementing the policy through its development manual. A dashboard with measurement indicators was also created to ensure the monitoring, deployment and reporting of the status of information security at all times.

CAF adopts a zero-tolerance approach to security to guarantee compliance with legal and contractual obligations, in addition to satisfying the needs and expectations of our customers and other stakeholders.

CAF has an Information Security Management System based on and certified by the ISO27001 standard. The scope of the certificate and the future outlook are shown below:

Certificate	Field	Scope	Outlook
ISO 27001	Information security	32% Group workforce	Scope extension

Together with the Information Security Management System, the management model improves information security and privacy and establishes controls to identify, prevent, detect and respond to any information security incidents. All of this addresses the Group's digitisation process, the greatest existing threats and the increase in cyber attacks from outside the organisation.

Zero risk does not exist, which is why CAF continues to increase the necessary resources to deploy security measures that mitigate existing risks and reduce the possibility and impact of serious incidents. CAF does this by carrying out a risk analysis of its most significant assets and establishes an acceptable level of risk that maintains a balance between functionality and cybersecurity.

In 2021 the incident indicator remained positive.

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious cybersecurity incidents	Actual serious information security incidents per year (IT leaks or ransomware)	Group	0 actual serious incidents In line with the objective.	Unchanged

Any cybersecurity incident or accident requires immediate remedial actions, a root-cause analysis and definitive corrective actions.

Information security breaches

One of the main objectives of the information security management model implemented at CAF is to reduce the probability and impact of potential security breaches. To meet this objective, the Group has defined a series of processes and procedures to manage security breaches, from prevention and detection to mitigation and recovery.

CAF periodically carries out technical audits of systems and applications to detect vulnerabilities, prevent the generation of security breaches and, consequently, mitigate the risks they generate. In addition to these technical audits, CAF has established a SOC (Security Operations Centre) to monitor cybersecurity events generated by systems and applications. This central unit manages and coordinates the monitoring and detection of possible security incidents, alerting the relevant managers and reducing response and management times.

CAF understands the need to promote a culture of information security as a key process for detecting and reducing the impact of security breaches, and it therefore regularly carries out training actions and awareness plans for employees.

Security of personal data

CAF has created and deployed a personal data protection policy to guarantee compliance with current legislation in all the territories in which it operates. This policy and the accompanying manual set out the organisational and technical measures necessary to guarantee the correct management of personal data processed by CAF staff and third parties that engage with any Group company.

The organisational measures adopted this year include the creation of a Privacy Compliance Committee aimed at ensuring the correct management and deployment of the policy and manual across the CAF Group. A Data Protection Officer (DPO) was also appointed to guide CAF on compliance with the applicable regulations, supervise general compliance with these regulations, advise employees, and cooperate with and act as a point of contact for the supervisory authority.

Each CAF company ensures correct compliance with local regulations on the protection of personal data. In any case, the CAF regulatory framework on data protection places special emphasis on European privacy regulations, specifically on Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, repealing Directive 95/46/CE ("GDPR"). In recent years, the GDPR has become a worldwide benchmark for data protection, setting global standards and serving as the basis for the development of local privacy regulations worldwide.

In 2021 the Group introduced an indicator to measure the number of serious incidents related to data protection. The results of the indicator were positive, showing zero incidents.

CAF has established the necessary mechanisms to ensure coordination with the information security area in the event of information breaches affecting personal data.

Cybersecurity indicator	Measure	Scope	Change	Outlook
Serious incidents related to personal data protection	Actual serious security incidents related to the protection of personal data	Group	0 actual serious incidents First measurement	Unchanged

Security of confidential and sensitive information

The information security management model establishes the guidelines for defining the necessary measures to manage confidential and sensitive information. In addition, the Group carries out a risk analysis of the organisation's most important assets, which could lead to the introduction of new security measures to reduce the probability and impact of a possible information leak.

As mentioned above, raising awareness and training CAF staff in information security is one of the commitments made in the policy. As part of this culture, staff are trained in the correct use of confidential and sensitive information, as well as in the measures to be taken to manage it.

3.3 Innovation and technology

In recent decades innovation has become a key process for CAF, enabling the Company to grow and supply products at the forefront of technology. This growth has occurred both by developing proprietary components for critical vehicle subsystems such as electric traction, energy storage systems and an electronic control and diagnostic system for trains, and by developing new products and services to complete a range of global transport systems that includes feasibility studies, civil works, electrification, signalling, maintenance and operation.

Aware that the key to innovation lies in knowledge and in the people who develop it, CAF remains committed to increasing internal technological development capabilities.

Innovation in products and services

CAF attaches great importance to continuous innovation in its product and service offerings to respond to the global trend of increased mobility, the limitation of fossil fuels and climate change, which directly influence the sustainability of the transport sector.

This determination is materialised in activities to generate new knowledge and develop new technologies and products aimed at offering more advanced transport solutions, considering both the needs currently perceived as well as the global mega-trends and the visions of future passenger transport that will lead to more efficient, accessible and ecological solutions.

The CAF Group channels and coordinates its product and service innovation initiatives through its corporate innovation strategy. The innovation strategy is designed and reviewed annually following an established process that aligns the technological and product/service development activities with the Company's main strategic challenges identified by the management, aimed at developing sustainable solutions for our customers while simultaneously guaranteeing our competitiveness.

The key lines of action in the CAF Group's innovation strategy are:

- Zero emissions: This line of action encompasses activities aimed primarily at the development of alternative propulsion systems to diesel and the reduction of consumption and emissions of its products and services.
- Connected and automated mobility: This line of action is focused on the development of vehicles that operate in an automated manner and increase the safety and efficiency of transport systems.
- Passengers and operator: The aim of this line of action is to offer the market better products and services both for CAF customers and for the passengers who will travel in its vehicles and transport systems.
- Competitiveness: The activities in this line of action are aimed at reducing the life cycle cost of products and services and reducing delivery times.

The Group's innovation strategy is materialised in an annual innovation plan.

This plan consists of activities to generate the proprietary knowledge and technology that will allow the CAF Group to stand out from its competitors and supply products with high added value in sustainable mobility.

Within the variety of activities and lines of work included in the Innovation Plan, we highlight the following that are particularly aligned with the current and future priorities of society.

Energy and Environment

Within the framework of a coordinated strategy aimed at reducing environmental impact, the Group pursues several areas of work:

- Optimisation of on-board energy accumulation systems based on batteries. Approximately every two years a new generation of batteries appears with clearly superior performance to that of its predecessor. For example, in high-energy batteries, the energy density per kg of battery increased by 77% between 2014 and 2020. High-power batteries also deliver a superior performance, particularly as regards charging power. These improvements have a crucial impact on the performance of vehicles and considerably increase their autonomy.
- Development of new hydrogen-based propulsion systems.
- Both systems (batteries and hydrogen) have applications for vehicles driven on infrastructure that has no continuous electrical power.
- Development of specific technologies aimed at reducing the energy consumption of vehicles by improving the energy efficiency of their components (for example, power equipment based on new Silicon Carbide – SiC – transistors) or by making the vehicle lighter (e.g. new materials, simplification of architectures, less wiring, etc.). CAF was the first train manufacturer to put a European metro into commercial service with SiC technology. This technology allows trains to reduce their consumption by between 8 and 10%.
- Smart management of the energy used by vehicles, including driving assistance systems, efficient driverless systems and smart systems for managing the operation and consumption of the different vehicle components.
- Reduction of both exterior and interior noise levels and reduction of vibrations transmitted to the ground, as well as electromagnetic emissions (EMI/EMC).

In this area, it is worth highlighting the European collaboration projects FINE, PINTA, X2RAIL, PIVOT, IN2STEMPO, IN2SMART, FR8HUB, FR8RAIL, FCH2RAIL, ASSURED, TRUSTONOMY, VIRTUAL-FCS and STASHH described in the following section.

Automation

Smart mobility delivers significant benefits to operators and increases safety and comfort for passengers. The development of automatic and autonomous vehicles is also a key element for increasing transport capacity, energy efficiency, punctuality and the fluidity of door-to-door travel.

In this field, the CAF Group is carrying out activities in the following work areas:

- Cybersecurity
- 5G communications and the future railway mobile communication system (FRMCS)
- Interior and exterior perception of vehicles through vision and artificial intelligence developments.
- Safe positioning without the need for beacons mounted on the infrastructure.
- On-board control and diagnostic system capable of performing critical safety functions.
- Automatic train protection systems: ERTMS Baseline 3.
- Automatic train operation systems: ATO over ERTMS and ATO over ATB.
- Communications-based train control (CBTC) system.
- Advanced driving assistance systems (ADAS).

In this area, we should highlight the European and national collaboration projects CONNECTA, X2RAIL, LINX4RAIL, TAURO, 5GRAIL, UP2DATE, SELENE, CBTC-2020 and ADAS, described in the following section.

Digitalisation

CAF is aware of the immense importance of the digital transformation process that is currently taking place in all areas of society, and it therefore dedicates a significant part of its R&D efforts to developing its own vision of digitisation for rail and bus transport, focused on the following lines:

- Development of technology to provide an infrastructure for capturing and transmitting data throughout the entire transport system, including aspects such as sensorisation and communications between the vehicle and the infrastructure.
- Management and analysis of large amounts of information using big data techniques.
- Application of advanced data analysis techniques (Artificial Intelligence. Machine Learning, Deep Learning, etc).
- Use of these tools for the development of applications in areas of special significance such as diagnosis, maintenance, energy consumption and operation.
- Model-based systems engineering (MBSE) to support system requirements, design, analysis, verification and validation activities, beginning in the conceptual design phase and continuing through development and later phases of the cycle of life.
- Development of BIM (building information modelling) to centralise all the construction project data in a digital information model created by all the agents involved.

In this area, we should highlight the European collaboration projects CONNECTA, X2RAIL, LINX4RAIL, IN2STEMPO and IN2SMART, described in the following section.

Featured innovation projects underway or completed in 2021

The CAF Group participates in the main collaborative R&D initiatives in the sector and is therefore playing an active role in evolving the entire mobility sector.

Listed below are some of the key projects carried out in 2021 within technology and product/service innovation activities and that have an impact on all CAF Group's activities.

Of particular importance in this area is the European Shift2Rail initiative, currently one of the main agents for change in the railway sector. This is a major European initiative, within the Horizon 2020 Framework Programme, dedicated to collaborative research and innovation between the different agents in the sector (operators, infrastructure managers, manufacturers, technology centres, etc.) aimed at accelerating the integration of new technologies in the railway sector. Shift2Rail brings together the major players in the European railway sector. CAF is playing a key role as one of the eight founding members of the initiative, and it also responsible for the coordination of the "Innovation Programme 1: Rolling Stock", which includes all developments related to vehicles. The key Shift2Rail projects are indicated below:

European project FINE-2

FINE-2 was launched within the framework of Shift2Rail and aims to develop improvements in the areas of noise and energy. Specifically, experts will explore innovative technology solutions to **reduce the noise and energy consumption** of railway systems.
CAF is playing a key role in the project.

European projects CONNECTA-2 and CONNECTA -3

CONNECTA-2 was launched within the Shift2Rail initiative with the aim of overhauling the train control, diagnosis and monitoring system (TCMS). It will incorporate advanced capabilities such as wireless communication in the train network, the ability to execute high safety functions (SIL4), and the validation of the system's performance before it is deployed. These developments are in line with the trends towards **digitalisation** and **automation** in the railway sector.
In addition to being one of the main technical contributors, CAF coordinated the CONNECTA-2 project for the entire consortium. In 2021 CONNECTA-3 was launched aimed at validating the developments of previous projects in an urban demonstrator vehicle.

European projects PINTA-2 and PINTA-3

PINTA-2 and PINTA-3 were launched within the framework of Shift2Rail with the aim of developing the next generation of railway traction systems. Teams of experts are working on new technologies for power electronics components (Silicon Carbide – SiC) aimed at **reducing their volume and weight while increasing their energy efficiency**. Methods are also being developed to increase the reliability and availability of traction equipment, as well as to reduce the time and cost of validation and certification processes.
CAF Power & Automation is playing a key role in the consortium as one of the members with the highest volume of activities. Thanks to this project, CAF Power & Automation has put the first European metro into commercial service with SiC technology.

European projects X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5

X2RAIL-1, X2RAIL-2, X2RAIL-3, X2RAIL-4 and X2RAIL-5 were launched within the framework of Shift2Rail with the aim of developing a control, command and communication system which rather than simply contributing to the control and safe separation of trains will become a **smart and flexible real-time traffic management and automation system**. Work is currently underway to overcome the limitations of existing communication systems, improve usable track capacity, create innovative signalling architectures to transition to less centralised and less expensive systems, **minimise energy consumption** and develop **new cybersecurity systems**.
CAF Signalling is playing a key role in the project.

European project PIVOT-2

The PIVOT projects launched within the framework of Shift2Rail focus on the development of new technological concepts for the next generation of rolling stock, applied to key sub-systems such as structure, bogie, brakes, doors, modular interiors and HVAC.

The aim of the PIVOT2 project is to create **lighter and more energy efficient passenger trains** that are more comfortable and have less impact on the track to **reduce the life cycle cost** of the entire railway system.
CAF Signalling is playing a key role in the project.

European project IN2STEMPO

The IN2STEMPO project launched within the framework of Shift2Rail aims to reduce life cycle costs and improve reliability and punctuality while increasing capacity, improving interoperability and enhancing the passenger experience.
The activities of IN2STEMPO Smart Power Supply will contribute to the development of a smart railway network based on a single **more efficient rail power grid** in an interconnected system.
CAF Turnkey & Engineering is playing a key role in the project related to energy measurement and the energy efficiency of railway infrastructure. Infrastructure

monitoring systems and big data analysis techniques were developed to improve energy efficiency and define condition-based maintenance (CBM) criteria.

European project IN2SMART2

The management of rail sector assets needs to improve considerably to ensure their sustainability, which can be done through innovative technologies, new economic possibilities and legislative improvements. With this in mind, the EU-funded IN2SMART2 project within the framework of Shift2Rail has developed a multi-action plan called the Intelligent Asset Maintenance Pillar to deliver **innovative asset management**. The project team aims to achieve this by creating new and optimised strategies, tools, products and systems for holistic, prescriptive and risk-based asset management. By focusing primarily on the tactical and operational plane, **the project will contribute to the increased efficiency of the railway sector**.
CAF Turnkey & Engineering is playing a key role in the project by developing a sustainable tram depot in BIM.

European projects FR8RAIL-II, FR8RAIL-III and FR8RAIL-IV

The key aim of the FR8RAIL project proposal, launched within the framework of Shift2Rail, is to develop the functional requirements for **attractive and sustainable European rail freight transport**.

The objectives of FR8RAIL are a 10% reduction in the cost of freight transport measured in tonnes per km, a 20% reduction in time variations during freight transport, and the increased attractiveness of logistics chains by making all information on rail freight transport available to the information systems of the logistics chain.
CAF is playing a key role in the project, for example by developing a thermostable wheel design that helps to **reduce noise** in freight transport.

European project FR8HUB

The key aspect of the FR8HUB project, launched within the Shift2Rail framework, is the emphasis on increasing efficiency in the nodes, centres and terminals of the freight rail system and continuing with the development of the **freight locomotives of the future**.
CAF Power & Automation is playing a key role in the project, for example by contributing to the on-board energy system of the locomotives.

European project LINX4RAIL

The aim of the LINX4RAIL project, launched within the framework of Shift2Rail, is to develop a common advanced functional rail system architecture for the sector supported by a conceptual data model (CDM). The project will also create a standard to ensure **sustainable interoperability** between systems.
CAF Signalling is playing a key role in the project.

European project TAURO

The TAURO project, launched within the framework of Shift2Rail, will shape the future of European rail transport by developing the **technologies to make autonomous rail transport** a reality. This will be achieved by working on state-of-the-art systems for environmental perception, remote operation, automatic monitoring and diagnostics, and easing the transition to these new autonomous control systems.
CAF is playing a key role as coordinator of the project.

In November 2021 the EU-Rail Partnership, successor to Shift2Rail, was established within the Horizon Europe programme (2020-2027). The partnership aims to accelerate the research and development of innovative technologies and operational solutions to lead the transformation of the rail sector, working towards the dual green and digital transition of Europe.

As with Shift2Rail, CAF is playing a key role as one of the founding members of the initiative.

CAF is also participating in another series of European and national projects focused on improving the sustainability of its products:

European project FCH2RAIL

The FCH JU, an agency of the European Commission engaged in promoting the development of hydrogen and fuel cells, has selected the FCH2RAIL project, for which CAF is the technical lead, to **develop a prototype railway powered by hydrogen.**

The main objective of the FCH2RAIL project is to design, prototype and standardise the next generation of hydrogen trains based on a new concept of dual-mode electric-hydrogen traction. These trains will be able to operate with the electricity provided by the catenary and, in non-electrified sections, with the energy obtained from the hydrogen cells and the hydrogen on board. The train also uses batteries, which will significantly reduce consumption.

Another key objective of the project is to collaborate in the definition of the regulatory framework to put this type of vehicle into service.

European project 5GRAIL

The global 5G standard for railway operational communications will be the future railway mobile communication system (FRMCS). This means that the European Railway Agency will need to update the interoperability technical specifications of the control-command and signalling system by the end of 2022. In order to meet this challenge, the EU-funded 5GRAIL project aims to **develop and test prototypes of the FRMCS ecosystem**. The project will verify the first set of FRMCS specifications and standards, as well as potentially updating the FRMCS V1 specifications and identifying technical limitations related to application issues.
CAF is playing a key role in the project.

European project UP2DATE

The computer systems of cars and trains contain mixed criticality cyber-physical systems (MCCPS) which, along with the wireless delivery of new software or data for their routine functions, need constant updates and repairs. Over-the-air software updates (OTASU) contain enhanced features and fix bugs and threats, but the update processes create security issues for user data, or are impractical. The aim of the EU-funded UP2DATE project is to develop a new security update model (SASE) for software in MCCPS systems. The consortium of knowledge generators (IKL, BSC, OFFIS) and technology integrators (IAV, TTA), as well as end users in the automotive and railway sectors (MM, CAF), will test two examples of this new architecture.
CAF Signalling is playing a key role in the project.

European project SELENE

High-performance computing using off-the-shelf components offers an alternative path to increasing the computational capacity of critical security applications. Despite their potential in various fields, the use of these systems is limited due to the lack of certified and reliable hardware platforms. The EU-funded SELENE project aims to change this by creating a safety-critical cognitive computing platform (CCP) with self-aware and self-adaptive capabilities. SELENE's CCP uses artificial intelligence techniques to maximise the effectiveness of the critical safety system and adapt its behaviour in different fields such as automotive, space, avionics, robotics and factory automation.
CAF Signalling is playing a key role in the project.

European project ForZDM

The aim of ForZDM (European Integrated Zero Defect Manufacturing Solution for High Value Adding Multi-stage Manufacturing systems), funded under the H2020 programme, is to develop and demonstrate tools to support the rapid deployment of ZDM solutions in industry and design more competitive and robust multi-stage manufacturing systems. As a result, the production system **will reduce overall energy consumption** due to a more efficient system, while also **reducing the scrap rate.**
CAF Signalling is playing a key role in the project.

ASSURED project

A research and innovation project aimed at **boosting the electrification of urban commercial vehicles** and their integration with high-power fast-charging infrastructures, evaluating various infrastructures in different cities throughout Europe. The key objective of the project is for each of these solutions to be capable of charging different types of vehicles and supplying power to an entire fleet of buses.
Solaris is involved in the research on the stability, safety, reliability and standardisation of the electrical grid by contributing vehicle data.

European project TRUSTONOMY

The TRUSTONOMY project was launched under the Horizon 2020 Framework Programme. Its key objective is **to maximise the safety, trust and acceptance of autonomous vehicles**. Trustonomy investigates different relevant technologies and approaches, such as the driver condition monitoring system, HMI design, risk models and driver training methodologies, from the perspective of performance, ethics, acceptability and trust.
Solaris is playing a key role in the consortium as the partner responsible for testing the Trustonomy system on the test track. It is also helping to create test procedures and define the guides for integrating the system into the vehicle.

European project VIRTUAL-FCS

The general objective of the VIRTUAL-FCS project is to develop an open-source software-hardware tool that can be adopted as a global standard for the **design of hydrogen fuel cells for the transport sector**. The platform will give the integrator confidence that the system will meet the required performance, reliability and durability requirements.
Solaris is contributing its experience in the field of hydrogen buses.

European project StasHH

This project is developing an **open standard for hydrogen fuel cell modules** in terms of size, interfaces and control and testing protocols, with the aim of promoting the use of hydrogen fuel cells in the heavy mobility sector when battery electrification is not feasible.
Solaris is contributing its experience in the field of hydrogen buses.

Second Life ESS project

The Second Life ESS project in which Solaris is participating aims to create a prototype for **an electrical energy storage system based on used bus batteries**. The key goal is to use lithium-ion cells whose parameters are no longer optimal for powering vehicles but can still serve as energy storage. The project is co-funded by the NCBiR (Polish National Centre for Research and Development).

Hybrid Beams project

The project focuses on a new concept of bus structure based on the addition of layers of carbon fibre and foam padding, used as local reinforcement of the entire structure. This makes the new lightweight structure more useful and effective for buses with added masses (electric, hydrogen and CNG buses). The key objective of the project, in which Solaris is participating, is to investigate the suitability of these hybrid joints in the construction of buses (hybrid beams and structural nodes). The ultimate goal is **reduce vehicle weight**, **reduce energy demand**, **increase the stiffness of the structure against overturning**, and maintain or increase the fatigue behaviour of the structural nodes. The project is co-funded by TA ČR Starfos (Czech National Centre for Research and Development).

ADAS project

Devised jointly by engineers at Solaris and Poznań University of Technology, the system will not only make it easier to perform simple and complex manoeuvres, such as driving forward, reversing and parking, but will also be of invaluable support when performing more precise movements, such as connecting the pantograph at the charging point, which can be particularly difficult in the case of articulated vehicles. The objective of the project is **to improve the safety of bus passengers and drivers** in urban traffic. It will also help operators to perform manoeuvres bus depots. The new system will also guarantee **optimal energy consumption** by vehicles.

CBTC-2020 project

Collaborative consortium of five companies, including CAF Signalling, for the development of a CBTC GoA2 system aimed at increasing the **safety and sustainability of rail transport**. This is a project within the CIEN Strategic Programme funded by the Centre for the Development of Industrial Technology (CDTI).

Innovation in processes

The CAF Group constantly works to optimise its processes to achieve the excellence required by its stakeholders. Two key initiatives developed for this purpose are the global transformation programmes and the lean manufacturing methodologies adopted by several Group companies.

In 2018 CAF launched a global transformation programme called MOVE within the vehicle activity with the aim of encouraging all areas to think about how to improve their efficiency in terms of cost, quality and time. This programme will continue in 2022 with an exclusive focus on improving competitiveness, ensuring continuous innovation in business processes. All MOVE initiatives are grouped along various workflows covering Operations, Quality and Contract Management, from the bidding phase to guarantees.

Examples of the type of process innovations introduced by MOVE during this period are listed below.

- Performance management of the engineering area, innovating the task management system and governance and reaching productivity improvements of up to 5%.
- Development of electronic equipment validation benches for URBOS platforms and other product lines with an improvement of up to 0.5% in project costs.
- Automation of wiring continuity ("ringing") and vehicle stiffness tests online, obtaining up to 0.2% cost reduction for a project.
- Standardisation of TCMS variables and alarms with a cost reduction of up to 0.1% in a project.
- Quality door reinforcement and project rework procedures with up to 0.5% savings for projects.

MOVE
Rolling to Excellence

Cost reduction was not the only reason for the improvements implemented in the processes during this period. The following additional factors were also taken into account during the transformation: product quality, customer satisfaction, digitalisation of processes, improvement of technical capacity and technical specialisation, increase in both production capacity and engineering, and improvements in deadlines. The fact of having several workflows covering the entire activity was what made it possible to include all these factors, which are essential for process innovation.

Meanwhile, the lean manufacturing concept applied in the CAF Group's production facilities focused on the layout of those facilities and adaptation of the manufacturing processes to the lean manufacturing methodology. Lean manufacturing is a management model focused on minimising losses in manufacturing systems while maximising value creation for the end customer. It therefore uses the minimum amount of resources, i.e. only the ones strictly necessary for growth. The main objectives for applying this methodology were to reduce manufacturing costs, improve product quality, reduce delivery times, increase manufacturing capacity, improve working conditions (safety and ergonomics), reduce the emission of harmful substances (VOC), and reduce environmental impact by reducing waste. The use of this methodology has led to changes in multiple production processes and the introduction of new generation solutions which have made it possible to improve and reduce the cost of these processes.

CAF has also automated several activities in its production process, most notable of which is the automation carried out in the manufacturing process of railway axles, leading to the implementation of the following stations:

- Automatic station for axle forging.
- Station for the laser geometric measurement of axle forging performs.
- Cold rolling station for axles.

Digitalisation

The development and growth of CAF Group in recent years has led to a digital transformation in terms of processes, technology and management aimed at improving efficiency, robustness and flexibility, therefore laying the foundations for meeting the challenges defined in the strategic plan for the different areas and activities of the Group.

As part of the digital transformation currently underway in terms of product, production and management, the adoption of a new ERP is enabling the transformation of all management tools.

The implementation of a new resource planning system or ERP will facilitate global, corporate, integrated, flexible and evolving management. This digital transformation supports other transformation initiatives that are being carried out at CAF and is the technological benchmark for accommodating new needs.

The implementation of the new ERP will be key to the development of existing services, processes and communications, as well as integrated relationships with digital continuity between the different functions and activities of the Group. It will also deliver greater agility and flexibility in the monitoring and management of the CAF Group's end-to-end projects. The implementation of the new ERP will involve changes from the point of view of the integration and standardisation of many business processes, improving information management and the centralised real-time control of the entire budget of an end-to-end project.

This change will also improve the harmonisation, standardisation and visibility of all activities related to supplier management, for both direct and indirect purchases, with the consequent optimisation of costs in this area.

Another far-reaching implication, but which due to its complexity will be gradually rolled out over the course of several years, is the digital continuity between design tools (PLM) and operations management tools (ERP), with all the processes that carried out in that environment (purchasing, quality, manufacturing and testing).

The new system should enable us to achieve solid data governance, resulting in both a unified coding of materials and suppliers (single data) as well as more accurate and reliable analytical reports in the new business intelligence tool.

The ERP adopted, a leading tool in the market, offers the possibility of incorporating the best practices of leading companies as well as permitting the development of a global map of applications with total connectivity and integration.

The implementation project for the new ERP, called Ziaboga, was launched in 2020 with the selection and signing of the contract with the ERP supplier, continuing in 2021 with the correction and exploration phases. In the correction phase, the processes and sub-processes to be implemented in the tool were reviewed and completed, and during the exploration phase work commenced on the detailed design of the ERP based on its functional specification, including aspects related to the configuration and the user experience. All processes will be developed and tested in 2022, and the tool should be operational in 2023.

ZIABOGA
TAKING THE TURN TO EXCELLENCE

In addition to the adoption of different computer programs to digitalise and automate multiple Group processes, the CAF Group launched the following digitalisation measures to improve the Company's processes:

- Virtual validation and approval processes to limit the dependence on physical tests to test, approve and certify different properties of the products supplied by the Group.
- Systems and tools to digitalise manufacturing, quality and maintenance documentation.
- Developments aimed at digital continuity between different IT systems.
- Graphical programming languages to simplify code generation activities.

Open innovation

For more than a decade, CAF has been collaborating with various suppliers, business partners, technology companies and research centres to accelerate the Group's innovation capabilities. European and national R&D funding programmes, such as Shift2Rail and EU-Rail mentioned above, also value and promote this type of collaboration.

As an example of the multiple collaborations with research centres, in recent decades CAF has been working closely with the Ikerlan Technology Centre (www.ikerlan.es). The relationship began in 2006 with the development of CAF's own traction inverters. Ikerlan's contribution has covered the development of traction systems for all catenary voltages, different topologies, cooling technologies, control strategies and semiconductors. Ikerlan has also participated in the development of CAF's on-board energy storage system (OESS) and its evolution in recent years.

However, in addition to the field of electric traction, the collaboration with Ikerlan has covered activities related to signalling and railway infrastructure.

CAF has set up several subsidiaries to market the products developed after several years of R&D. The earlier examples were Traintic (2002) and Trainelec (2007). Traintic and Trainelec, now CAF Power & Automation (www.cafpower.com), were created to supply traction equipment and train control and monitoring systems (TCMS) developed by CAF's R&D Department. These CAF Group subsidiaries have since improved and increased their range of products, and today they are benchmarks in their sector, again thanks to significant investments in innovation.

The most recent example of a subsidiary created by CAF is CAF Digital Services (www.cafdigitalservices.com). Founded in 2020, the company markets LeadMind, CAF's data-based digital platform. This product was the result of several years of R&D projects for the digitalisation of trains (Digital Train). The Digital Train projects were focused on data acquisition, data management (big data, data transmission and storage) and data analysis.

The CAF Group's collaborations also extend to the startup ecosystem. In 2015 CAF launched CAF Ventures as a corporate investment initiative, and in 2020 it launched the Venture Client CAF Startup Station (www.cafstartupstation.com).

CAF Startup Station is designed to partner with top-tier startups working on relevant and innovative solutions for the rail and bus sectors. The key objective is to build and consolidate customer-supplier relationships between the different startups and the CAF Group.

CAF Startup Station follows the Venture Client model, which focuses on achieving a real impact on the business. This model allows the Group to acquire and test the startup's solutions through a pilot project. As a result of the success cases, a long-term customer-supplier relationship is established with the startups, which could ultimately lead to an eventual purchase. A CAF Startup Station success story is to implement software for the management and reporting of non-financial information in an agile and accurate way by collaborating with a local startup.

The CAF Group also collaborates through technological licences, both by giving access to developments carried out by the Company to other companies (e.g. the licensing of interlocking technology for TEXMACO, India), and by adopting development licences from other companies to incorporate them into its own processes and products, such as Straton's Graphical Programming Environment. These collaborations permit faster product development and commercialisation with proven solutions and proven reliability levels.

3.4 Responsible and sustainable supply chain

[102-9, 102-12, 102-17, MA 204, 204-1, MA 308, 308-2, MA 414, 414-2]

The sustainable management of CAF Group's supply chain covers environmental, social and governance aspects. The Group monitors sustainability risks to avoid negative impacts derived from the supply chain and encourages suppliers to comply with all the legal requirements of the sector and country in which they operate and to incorporate sustainability into all their operations.

This management approach is based on the Corporate Purchasing Policy, the Environmental Policy, the Code of Conduct for Suppliers, and the General Purchasing Conditions, all of which incorporate the principles of the United Nations Global Compact on Human Rights, the Environment and the Fight Against Corruption and provide guidance for the organisation and its suppliers.

In 2021 the CAF Group spent approximately 2,000 million euros on nearly 8,000 Tier-1 suppliers (i.e. suppliers that deal directly with and invoice the CAF Group directly) located in more than 60 countries, although most of the suppliers are located in the European Union.

Most of the products and services provided by CAF's suppliers have a predominantly technological component, while the labour component is concentrated in subcontractors, maintenance service providers and civil works.

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 short-term effect; however, they may extend to the medium term due to the search for replacement suppliers.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks.

Meanwhile, sustainability management in the supply chain has provided the following opportunities: (i) participation in the Railsponsible sector initiative, where the main operators and manufacturers in the sector collaborate to develop sustainable practices and share best practices throughout the value chain of the railway industry; and (ii) continuous improvement of suppliers in matters of sustainability also improves their resilience and competitiveness.

RAILSPONSIBLE

As reflected in the materiality analysis updated in 2021, the CAF Group is aware of the severity of the potential economic and reputational impacts of these risks. To mitigate them, the Sustainability Committee and the Corporate Purchasing Committee have established the strategy described below.

Supply chain strategy and objectives

The CAF Group is committed to promoting and supervising sustainability in its supply chain. The Sustainability Committee has established the following objectives for the Responsible Purchasing Programme in 2022:

- More than 90% of the suppliers identified in the risk map as risk suppliers must have been evaluated or audited.
- Spending on suppliers assessed as medium or high risk must be less than 1.8% of total spending.

In 2021 the Corporate Purchasing Committee continued to implement the Purchasing Policy in the Group's main activities. In 2022 the main activities will transfer to their respective processes the requirements for due diligence and supervision of the sustainability of the supply chain established by the Purchasing Policy.

The Sustainability Plan of the Purchasing Committee for 2022 includes the implementation of a supplier registration and qualification process that covers due diligence in matters of risk and sustainability, as well as the extension of the Responsible Purchasing Programme, operational in the rolling stock activity since 2018, to other Group activities. The Solaris and Comprehensive Solutions and Systems activities will implement their own programme during the course of 2022. The company CAF Power and Automation laid the foundations for its own programme in 2021, taking advantage of the collaboration in the area supervised by the Purchasing Committee.

Communication with suppliers

CAF is aware that good communication and sharing information between the Company and its suppliers are key to maintaining efficient processes and long-term business relationships, and it has opted to ensure this two-way dialogue through supplier satisfaction surveys. Although the survey results show a notable level of satisfaction in 2022 the Group will analyse and address the identified improvement opportunities.

Additionally, all suppliers have a specific separate communication channel for raising any questions regarding the general Code of Conduct and the Supplier Code of Conduct, procurement@caf.net, as well as another channel to report to the CAF Compliance Committee any current or potential conflict of interest or breaches of the principles of business ethics by CAF professionals: whistleblowerchannel.suppliers@caf.net. In 2021 no conflicts of interest or breaches of the principles of business ethics were received through this reporting channel.

Supplier Code of Conduct

The CAF Group requires all suppliers to comply with the ethical principles set out in the CAF Code of Conduct published on the corporate website, including social, ethical and environmental commitments[15].

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. The Supplier Code of Conduct requires CAF suppliers to transfer the same sustainability standards to their own supply chain.

CAF reserves the right to verify compliance by its direct suppliers. This verification may be through assessments conducted by ESG rating agencies, self-assessment questionnaires, or audits at supplier facilities. If a supplier's behaviour does not comply with the principles of the general Code of Conduct or this Supplier Code of Conduct, either in its activity with CAF or in the market with third parties, CAF is entitled to take the appropriate measures and may refuse to collaborate with the supplier in the future, or even terminate the current relationship depending on the circumstances.

In 2021 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.

The CAF Group's performance in terms of sustainability in the supply chain is monitored annually and has been recognised by the main ESG rating and certification agencies. Certifications in this area are available in the sustainability section of the Group's corporate website.

Sustainability in supplier management

The supplier qualification processes guarantee that our suppliers contractually commit to the Supplier Code of Conduct and incorporate sustainability checks of the following aspects:

[13]This requirement applies to 81% of purchases made at Spanish and international subsidiaries in relation to the main lines of business in 2021 (Rolling Stock, Buses, Railway Services, Components, Signalling, Power and Traction Equipment, and Engineering).

- Sustainability, Environment and Occupational Health and Safety management certifications, among others[16]
- Product Quality Management related to IRIS certification[17]
- Compliance with the CAF Code of Conduct
- Compliance with the Sustainability Policy

In 2021 a specific questionnaire on sustainability was incorporated into the mandatory quality audits for approval as a supplier of railway equipment and material for the railway vehicles and buses activity. Based on this initiative, aspects of sustainability were checked in 41 on-site audits.

Meanwhile, quality inspections at origin make it possible to identify any deviations from the principles of the Supplier Code of Conduct.

Supply chain monitoring methodology

In the monitoring of sustainability criteria in the supply chain, the evaluation effort prioritises those that represent the greatest environmental, social and ethical risks, 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.

In 2021 the railway vehicles activity extended its Responsible Purchasing Programme, which already supervised suppliers of railway equipment and material, to the purchase of indirect services and products.

Based on these criteria, the evaluation effort is focused on 427 target suppliers out of a total of approximately 10,000 suppliers.

The evaluations are carried out by Ecovadis, the world leader in this field. Ecovadis adapts the evaluation questionnaire to each supplier based on the locations in which it operates, its sector and its size to evaluate 21 aspects of sustainability aligned with the most demanding international norms, regulations and standards, including those of the Global Reporting Initiative (GRI), the International Labour Organisation (ILO), the UN Global Compact and ISO 26000. Suppliers' responses are evaluated by specialised analysts who check whether the documentary evidence is consistent, recent and evidences a dynamic review of the policies, actions and results in the different subjects. This analysis results in a general rating with a maximum score of 100 points, which represents excellent sustainability management.

If the result of an evaluation does not meet the requirements established by CAF (a general score of 45 out of 100 in sustainability management), the supplier is required to implement an action plan to improve the 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.

Results of the responsible purchasing programme

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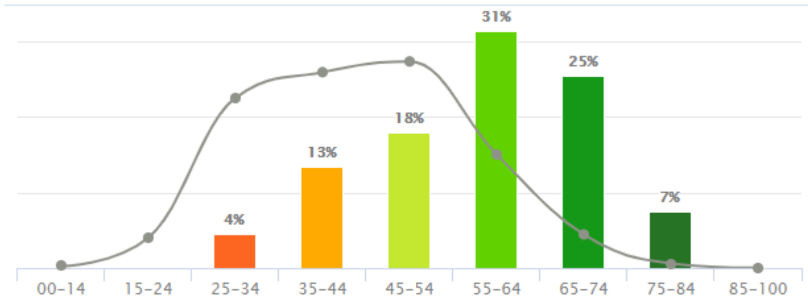
[14] SA8000 Social Responsibility Certification, ISO 14001 Environmental Management System Certification, OSHAS 18001 Occupational Health and Safety Management System Certification, ISO 22301 Business Continuity Management Systems Certification, etc.

[15] Risk analyses, quality certificates and supplier management are evaluated, among others.

At the end of 2021, 85% of the prioritised suppliers (67 business groups) had been assessed in terms of their sustainability management, i.e. their environmental, social and governance management, which represents [18]56% of the expenditure in this activity.

The assessed suppliers have an average overall rating of 58 out of 100, representing a medium-high level of sustainability management, which is 14 percentage points higher than the average of all suppliers assessed by Ecovadis worldwide (44/100). In addition, 61% of CAF suppliers reassessed in the last year improved their rating.

The following graph shows the distribution of the overall rating of the suppliers assessed by the Vehicle activity in the columns and the grey line shows the distribution of the overall rating of all companies assessed by Ecovadis:



		2021	2020	2019
General Sustainability indicator[19]	Of suppliers of CAF's Vehicles activity	58/100	56/100	53/100
	Of all suppliers evaluated by Ecovadis at worldwide level	44/100	43/100	43/100
Change in the Sustainability indicator of CAF's suppliers	Improved	61%	65%	50%
	Unchanged	16%	19%	20%

As a result of these assessments it has also been identified that 4% of the Group's total purchases are made from suppliers with average or lower sustainability management and an improvement plan has been agreed with all of them. Furthermore, no relevant negative impacts have been identified in the supply chain, so no sustainability audits have been required in 2021. In 2020, three suppliers were audited and during this year have shown an improvement in their assessments so that all of them have low risk assessments.

In addition, during 2021 both Solaris and CAF Power & Automation have developed their prioritisation criteria for the extension of the Responsible Sourcing Programme in their supply chains.

[18] Comprising a total of 350 companies.

[19] Assessment scale: 0 – 25: Low; 25-45: Medium/low; 45-65: Medium/high; 65-100: High

The following table summarises the results of the 2021 supplier assessment campaign:

	2021	2020	2019
Number of business groups assessed in terms of their sustainability/ESG management	67	46	39
Coverage of sustainability assessments on the amount of purchases of the Vehicle activity	56%	-	-
Purchases from high or medium risk suppliers: Total Group volume of expenditure on suppliers with a medium or lower sustainability management rating	4%	2%	-
The percentage of suppliers with an average or lower management evaluation with whom improvements have been agreed as a result of an evaluation.	100%	100%	-
Number of suppliers identified as suppliers with significant negative environmental, social or governance impacts	0	0	0

Development of local suppliers

The CAF Group is committed to developing supply chains in the countries where it carries out its most significant operations.

For example, in 2021 local suppliers accounted for 61% of the Group's spending in countries with significant operations[20] (in 2020, 65%). CAF therefore not only guarantees supplies and maintains relations with the community, but helps to promote a stable local economy.

The CAF Group is committed to managing the relationship with strategic suppliers to improve technical training, quality and the integration of the business processes of both organisations.

The Vehicles activity has an ongoing programme to develop the small and medium-sized local suppliers with whom it works by adapting their processes and capacities to the growth strategy for this line of business, and also to improve delivery performance, quality and profitability. In 2021 the programme focused on suppliers of painting processes.

In addition, the Railway Vehicles and Services activities continued the extended industry and value chain organisation project begun in 2020 to improve the integration and synchronisation of the logistics processes shared with their suppliers through the development of electronic data exchange channels. This has led to greater competitiveness and resilience of the entire value chain. In 2021 eight suppliers benefited from this initiative and CAF is committed to significantly extending its use in 2022. The initiative was supported by the Etorkizuna Eraikiz programme of the Gipuzkoa Provincial Council and conducted in collaboration with the Igarle technology consultancy.

[20] Including the data relating to expenditure made at the Group's significant establishments, which represent 90% of CAF's workforce. A supplier is considered local when it is located in the same country as the significant activity that procures its services.

4 THE EXCELLENCE OF OUR TEAM

"CAF is committed to promoting the professional development of its employees and to using the necessary means to eliminate or reduce occupational risk by promoting a culture of prevention among all the people who work at CAF. Additionally, CAF is committed to respecting diversity, the right to equal treatment, and equal opportunities in access to work, training, promotion, and working conditions, as well as the integration of people with disabilities."

CAF Sustainability Policy
17 December 2020

4.1 Talent development

[102-7, 102-8, 102-41, MA 401, 401-1, MA 402, MA 404, 404-1, 404-3]

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.

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.

The main activities in 2021 were the definition and deployment of the initiatives included in the corporate people plan with the aim of improving talent management in all Group activities and on every work front: from the promotion of values, progress in measuring organisational, improvements in talent recruitment and development activities, and the deployment of commitments regarding health and safety in the workplace.

In 2021 special attention was also paid to improving organisational health in the Group's different activities. Significant efforts were invested in the implementation of the action plans defined for this purpose. As a result of these plans and despite being conditioned by the impact of the health crisis and the implementation of measures to improve competitiveness, the organisational health index was positive compared to previous years. Surveys were rolled out in all the main activities, reaching 85% of the Group's workforce. Looking ahead to future years, the Group anticipates further improvement in this field as a result of the deployment of the improvement plans already defined and the monitoring system implemented. The generation of a shared culture within the Group is a cornerstone of these initiatives.

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 described above and provides a series of activities aimed exclusively at managing them. This process meets the risk and opportunity analysis of the frame of reference.

Talent attraction

In 2021 the Group's average workforce totalled 13,113, and at 31 December 2021 the workforce was 13,284 people.[21] The average workforce of the CAF Group therefore remains stable. At year-end the workforce had increased by 227 people, adapting to the Group's needs in its different lines of business and geographical areas. This increase is also partially owing to the integration derived from the labour reform that affected the activities carried out in Mexico. Provided below there is a breakdown of employees by the following diversity criteria: gender, age, professional group and country.

[21] 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 the activities that the company considers it is necessary for outsourced personnel to carry out 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 record statistics in relation to outsourced personnel since this is not considered to be significant.

CAF Group headcount
(At year-end)

	2021		2020		2019	
	Number	%	Number	%	Number	%
By gender						
Male	11,235	85%	11,080	85%	11,263	85%
Female	2,049	15%	1,977	15%	1,916	15%
By age						
Under 30 years of age	1,746	13%	1,785	14%	1,993	15%
Between 30 and 50 years of age	9,219	70%	9,050	69%	9,139	69%
Over 50 years of age	2,319	17%	2,222	17%	2,047	16%
By professional group						
Employees	6,794	51%	6,386	49%	6,209	47%
Operators	6,490	49%	6,671	51%	6,970	53%
By country						
Europe	11,699	88%	11,460	88%	11,522	88%
Spain	6,572	49%	6,483	50%	6,602	50%
Poland	2,641	20%	2,451	19%	2,406	18%
Sweden	1,015	8%	996	8%	1,013	8%
United Kingdom	784	6%	672	5%	662	5%
Rest of Europe	687	5%	858	7%	839	7%
America	1,113	9%	1,157	9%	1,247	9%
Mexico	504	4%	423	3%	421	3%
Brazil	220	2%	250	2%	294	2%
US	203	2%	301	2%	325	2%
Rest of America	186	1%	183	1%	207	2%
Rest of the world	472	3%	440	3%	410	3%
Total						
	13,284		13,057		13,179	

At CAF, talent management is a key factor in the organisation's success. The attraction, development and retention of talent are therefore critical phases for the Company. As a global company, CAF has a specific appointments activity, included in the people management process, which defines the common corporate framework for appointments and internal mobility made up of a first phase consisting of approval of the appointments plan, a selection process that can be both internal and external, recruitment and, lastly, the onboarding plan. This process guarantees equal opportunities as regards access.

CAF is currently carrying out a series of activities to provide adequate resources to the different activities in the different geographical areas, of which the main ones are: presence at national and international job fairs, open days, and the publication of vacancies on various employment platforms, social media and the corporate portal.

During 2021, 1,701 recruitment processes were carried out in the Group's different activities. It should be noted that growth has been mainly in Europe in absolute terms and the highest relative growth has been seen in the Americas and Rest of the World. The details of this process are shown below:

New hires

	2021	
	Number	Rate[22]
By gender		
Male	1,412	13%
Female	289	14%
By age		
Under 30 years of age	627	36%
Between 30 and 50 years of age	934	10%
Over 50 years of age	140	6%
By region		
Europe	1,155	10%
America	439	39%
Rest of the world	107	23%
Total		
	1,701	13%

Non-voluntary departures account for 2% of the total workforce (in 2020 and 2019 they accounted for 2.5%). In relative terms, the rate of non-voluntary departures is the same for both men and women, the highest rate is concentrated in the over-50 age group and the Americas is the region with the highest number of non-voluntary departures as a proportion of the active workforce at year-end.

Non-voluntary departures

	2021	
	Number	Rate[23]
By gender		
Male	211	2%
Female	41	2%
By age		
Under 30 years of age	39	2%
Between 30 and 50 years of age	117	1%
Over 50 years of age	96	4%
By professional group		
Employees	132	2%
Worker	120	2%
Total		
	252	2%

[22] New hires/workforce at the end of the period.

[23] Non-voluntary terminations/employees at the end of the period.

Quality employment

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 staff at the end of the period in the CAF Group was 91%, representing a stable trend compared to 2020 (92%). For women, the percentage is 90%, the same as in 2020 (90%). Similarly, the percentage of the permanent workforce according to professional category (employees[24] and workers) exceeds 91%, again remaining stable with respect to the previous year (in 2020, 92%). These figures demonstrate that permanent employment with the Group has remained stable in recent years[25].

Workforce by type of contract
(At year-end)

	2021				2020				2019			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
By gender												
Male	10,316	92%	919	8%	10,291	93%	789	7%	10,077	89%	1,186	11%
Female	1,836	90%	213	10%	1,783	90%	194	10%	1,663	87%	253	13%
By age												
Under 30 years of age	1,284	74%	462	26%	1,366	77%	419	23%	1,422	71%	571	29%
Between 30 and 50 years of age	8,631	94%	588	6%	8,560	95%	490	5%	8,344	91%	795	9%
Over 50 years of age	2,237	96%	82	4%	2,148	97%	74	3%	1,974	96%	73	4%
By professional group												
Employees	6,219	92%	575	8%	5,850	92%	536	8%	5,587	90%	622	10%
Operators	5,933	91%	557	9%	6,224	93%	447	7%	6,153	88%	817	12%
By region												
Europe	10,950	94%	749	6%	10,601	93%	859	7%	10,188	88%	1,334	12%
America	826	74%	287	26%	1,127	97%	30	3%	1,206	97%	41	3%
Rest of the world	376	80%	96	20%	346	79%	94	21%	346	84%	64	16%
Total												
	12,152	91%	1,132	9%	12,074	92%	983	8%	11,740	89%	1,439	11%

[24] The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.
[25] The annual average number of part-time contracts is not broken down by gender, age and professional classification, as they do not represent a significant proportion of the Group's workforce with a representation of less than 1%.

Workforce by type of contract
(Average workforce)

	2021				2020				2019[26]			
	Permanent		Temporary		Permanent		Temporary		Permanent		Temporary	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
By gender												
Male	10,278	93%	824	7%	10,183	91%	957	9%	9,498	89%	1,157	11%
Female	1,813	90%	198	10%	1,724	89%	218	11%	1,586	87%	243	13%
By age												
Under 30 years of age	1,187	75%	406	25%	1,272	73%	466	27%	1,233	70%	529	30%
Between 30 and 50 years of age	8,616	94%	534	6%	8,442	93%	634	7%	8,103	91%	782	9%
Over 50 years of age	2,288	97%	82	3%	2,193	97%	75	3%	1,748	95%	89	5%
By professional group												
Employees	6,065	96%	548	4%	5,716	91%	578	9%	5,329	90%	579	10%
Operators	6,026	96%	474	4%	6,191	91%	597	9%	5,755	88%	821	12%
By region												
Europe	10,742	94%	745	6%	10,434	91%	1050	9%	9,461	88%	1,293	12%
America	964	84%	181	16%	1,141	97%	35	3%	1,271	96%	49	4%
Rest of the world	385	80%	96	20%	332	79%	90	21%	352	86%	58	14%
Total												
	12,091	92%	1,022	8%	11,907	91%	1,175	9%	11,084	89%	1,400	11%

The generation of quality employment also implies the need to organise work in accordance with the labour legislation of each country and the applicable collective bargaining agreements. Each Group company therefore determines matters relating among other things 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, such as contributions to pension funds and 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.

A significant development in 2021 was the regulation of remote work in some of the most relevant legal entities. This new regulation allows for certain activities to be carried out from home, on a voluntary basis and to a greater or lesser degree depending on the situation, mainly related to work-life balance. It also includes measures concerning the right to digital disconnection.

The training and evaluation process as a cornerstone of professional development

The training process is a cornerstone of the training activities and this is evident both in the parent company and in all the national subsidiaries linked to 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 carrying out a training needs assessment, integrating both the vertical perspective of each function, as well as the horizontal perspective in cross-cutting training subjects (for example: occupational health and safety, quality, product safety, regulatory compliance, etc.). 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.

[26] Data recalculated on the basis of the methodology applied in 2020 and 2021.

This process has been systematically reviewed over the years under a dynamic of continuous improvement, integrated into process management in some cases and always in response to the activity's needs.

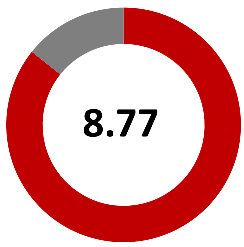
In 2021, further progress has been made in the deployment of a more flexible learning model by combining different formats. The development of content on the "CAF E-learning" platform, launched in 2020, has been promoted. During 2021, face-to-face training coexisted with virtual training, complying with the health measures required at any given time as a result of the health crisis. Asynchronous access to training content has also been made possible.

At Group level, more than 210,000 training hours were received[27], with each person having received an average of 18 hours of training, five more than in the previous year. In terms of gender, women have received four hours more training than men. The average number of training hours for employees has been higher on average, receiving 22 hours of training, eight hours more on average than workers.

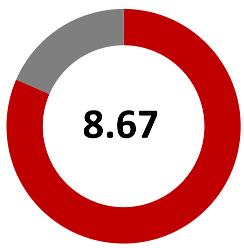
	2021		2020	2019
	Total hours	Average hours per person	Average hours per person	Average hours per person
By gender				
Male	171,848	17	-	-
Female	38,934	22	-	-
By professional group				
Employee	125,547	22	14	15
Worker	85,235	14	12	19
Total				
	210,782	18	13	17

Similarly, the results of satisfaction and the effectiveness of all training actions exceed the objectives set for the 2021 period, standing at 8.77 and 8.67 points, respectively[28].

Training Satisfaction



Training Effectiveness



Integrated in the same process is the performance evaluation as one of the elements that stimulate the development of the people in the organisation. Eighty-five percent of people from both the parent company and all national and international companies[29] have received an evaluation, following the defined systematic approach. The distribution of assessed workers according to gender and occupational groups, 79% of women have received an assessment and 86% of men. In addition, 88% of the workers have been assessed by 2021, as well as 83% of the employees.

The corporate people management process defines a model for assessing both general and technical competencies associated with each person's position. In addition, university graduates and middle management are included in an evaluation system through which individual objectives are set for them. Throughout 2021, evaluation processes have been launched in all of the Group's main activities and will continue to be rolled out in the following period. The evaluation processes launched have been adapted to the needs of the different activities and groups.

It highlights the new evaluation process deployed in the activity linked to railway rolling stock. The new model aims to align all people with the values by deploying specific behaviours according to the type of responsibility in the organisation. It also aims to clarify what is expected of people and what their contribution to the objectives is.

In this chapter and in different Group activities during 2021, actions have been undertaken to promote leadership for people and project or programme managers. The programmes aim to clarify the role as a leader and improve communication or team management, among others. In addition, development tools such as coaching and mentoring are incorporated.

[27] Data representative of 92% of the CAF Group workforce.

[28] Data relating to those sites where the system of evaluation of the training received is implemented.

[29] Data relating to those sites where the performance appraisal system is in place.

In addition, as in the previous period, various training actions were carried out this year to align the people management systems required by the Group's activities in the transformation programmes being undertaken and in the integration processes underway.

Internal mobility as a development tool

In addition to providing flexibility to respond to the needs of ongoing projects, internal mobility is regarded as a fundamental tool for the development of employees during their working lives. Mobility is facilitated through training programmes included in the training plans as well as through ad-hoc training activities designed to provide people with the skills they need to take on new responsibilities. All the main activities of the CAF Group include internal mobility processes.

A variety of exercises have been carried out with a medium-term perspective to identify talent with potential, and they will continue this year with the aim of ensuring that the Group has people equipped to meet the challenges of the different activities.

The main activities in 2021 were the publication of internal vacancies in some of the Group's main activities and the definition of career plans related to the evaluation processes. In this area, as well as defining and deploying development plans, an initiative was launched to define career plans with a medium-term vision as specified in some of the potential itineraries: leadership of people and projects/programmes, functional versatility and technical specialisation.

Social dialogue

With respect to the organisation of social dialogue, we should mention the permanent communication between employees, their representatives and the Company with a view to discovering their interests and expectations and reaching agreements that benefit all parties. The procedures for informing and consulting employees and negotiating vary across the Group, which provides greater flexibility to use the most appropriate routes based on the traditions and customs in each region 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 the international level, collective bargaining on different issues (pay, working time and working hours) is also noteworthy in different geographies. Eighty-nine percent of the CAF Group's workforce is subject to collective bargaining or regulations. Meanwhile, the Group's workforce under a collective bargaining agreement stands at 70% with the breakdown by region as shown below.

Percentage of employees covered by collective bargaining agreements by country

Europe		73%	
	Spain		100%
	Sweden		100%
	United Kingdom		32%
	Rest of Europe[30]		19%
America		41%	
	Brazil		100%
	Mexico		80%
	Rest of America		29%
Rest of the world		14%	

[30] Significant countries by headcount such as Poland and the United States are not covered by collective agreements and are included under the respective headings Rest of Europe and Rest of America.

Additionally, various initiatives were carried out in 2021 to promote extended, systematic and agile internal communication in line with current customs.

In 2021 work commenced on the definition of a manual for the development of the General Communication Policy approved in 2020. This manual will include the internal communication guidelines revised in 2021. Applicable to all CAF Group companies and activities, these general internal communication guidelines aim to ensure consistency in matters of internal communication, guaranteeing that everyone has access to relevant up-to-date information and that fluid and constant interactions take place, both face-to-face and indirectly, at all levels of the organisation.

Additionally in 2021, internal communication plans were deployed at different levels in conjunction with e-learning activities and the implementation of collaborative tools.

Furthermore, with the aim of facilitating channels and ways for fluid interaction to take place and ensure that each person in the organisation has constantly updated information, in 2021 the Group continued to make intensive use of the corporate internal communication application available to all CAF employees, providing remote access to relevant information at all times. As a supplement to this dynamic tool, in 2021 the Group launched a fortnightly news bulletin sent to all employees.

As in 2020, direct communication activities continued to be promoted both in virtual and face-to-face format. Employees' perceptions of communication matters are systematically collected.

4.2 Diversity and equal opportunities

[MA 202, 202-1, MA 405, 405-1, MA 406]

Equal opportunities

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 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 introducing measures to favour the work-life balance.

The CAF, S.A. collective bargaining 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.

Recruitment and selection processes guarantee the same access opportunities, upholding non-discriminatory principles through recruitment drives open to everyone, the use of objective selection requirements and without taking into account situations not related to the job. In 2021 women represented 17% of new hires to the CAF Group, raising the overall presence of women in the Group's workforce to 15%.

Likewise, equal access to training is guaranteed for men and women in order to promote career development and adaptability to job requirements, thus improving internal employability.

The Group is committed to promoting equal opportunities through internal policies and strategies, and to ensuring that employees have the same opportunities to develop their potential. Consequently, it adopts the appropriate measures and decisions in response to any action that might constitute or cause gender discrimination.

In order maintain comprehensive control of these commitments and their respective initiatives, at year-end all Group companies comply with the legal regulations regarding the development of equality plans[31] and they have different management mechanisms such as the action protocol in case of sexual harassment or gender harassment and equality committees on which the Company and employees are represented, the aim of which is to prevent and, where applicable, resolve cases of sexual harassment and gender-based discrimination. 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 operators and employees.

Similarly, in recent years the Company has been taking steps to disseminate the equality plans and sexual and gender-based harassment protocols 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 2021 five cases of gender-based harassment were reported, leading to the relevant internal investigation, management and resolution in line with the pertinent employment measures. One such case was detected in 2020.

[31] The companies affected have started adapting their equality plans to Royal Decrees 901/2020 and 902/2020.

Remuneration and gender pay gap

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 of remuneration with the challenges and needs of the lines of business. The Group usually refers to information prepared by specialist consultants to establish salary levels on the basis of the market and role.

These general criteria have given risen to appropriate remuneration levels and in 2021 the average remuneration of employees[32] amounted to €38,353.28.

Average Remuneration (2019[33]–2021)

	2021	2020	2019
Average remuneration	38,353.28€	37,015.01€	36,355.22€

The gender pay gap[34] is negative (-0.5%) for all Group activities since the average remuneration for women as a whole is higher than that for men.

Average remuneration by gender, age and employee category

	2021		2020	2019
	Average remuneration €	Gender pay gap[35]	Gender pay gap[36]	Gender pay gap
By gender				
Female	38,502.40 €	(0.5%)	(0.2%)	0.3%
Male	38,326.09 €			
By age				
Under 30 years of age	24,212.57 €	(8%)	(8%)	(5%)
Between 30 and 50 years of age	39,154.81 €	(5%)	(5%)	(2%)
Over 50 years of age	45,813.57 €	7%	4%	(1%)
Professional group				
Employee	45,825.83 €	16%	16%	15%
Worker	30,530.71 €	10%	27%	20%

The average remuneration by age at the CAF Group reveals a correlation between age and remuneration earned, as shown in the table. Likewise, in terms of the gender pay gap, if we analyse the data by age group it is negative (-8%) in the under 30 years of age segment and the remuneration of women is higher than the remuneration of the men. The gap is also negative in 30–50 years of age segment (-5%). However, in the over 50 years of age segment women's remuneration is lower, with a positive gap of 7%.

Remuneration in the CAF Group for professional groups is organised into two broad categories: employees[37] and workers. The average remuneration for employees is €45,825.83 compared with

[32] All annual fixed remunerative items for full-time employees available to all the Group's employees were used. Variable concepts were not included since they are treated as non-material due to the amount they represent over the total (less than 2%). The average exchange rate for the year was used to translate the data to euros.
[33] The data on the gender pay gap for 2019 are as published in the Non-Financial Information Statement for 2019.
[34] The gender pay gap was calculated on the basis of all employees, including senior management and executive directors.
[35] (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.
[36] The gender pay gap for 2020 has been recalculated to include the remuneration of senior management and executive directors.
[37] The Professional Group of Employees includes University Graduates, Middle Management and Administrative Staff.

€30,530.71 for workers. In both cases the pay gap is positive, as in previous periods. In the employees' category the pay gap is 16%, remaining stable compared to previous periods. The pay gap in the workers' category is lower, at 10%. This reduction is due to changes in the configuration of the women's group within the workers' category following adaptation to the labour regulation implemented in Mexico in 2021.

If we analyse the data by groups, length of service is a one of the factors affecting the gender pay gap. On average, men's length of service across all CAF activities is 25% higher among employees and 26% among workers.

General pay gap by gender, professional group and length of service

	2021	
Professional group	Gender pay gap[38]	Difference in length of service[39]
Employee	16%	25%
Worker	10%	26%

The data relating to the pay gap are also influenced by the asymmetrical nature of the gender distribution of the various socio-demographic groups. While the average remuneration of women is higher than the total average remuneration of the men, when the averages of both groups are compared by professional category, remuneration is lower both in the employees' category and in the workers' category. This is because there are fewer women than men (women account for 15% of the total) and their distribution by professional group is asymmetrical.

Distribution of the workforce by professional group and gender
(At year-end)

	2021	
Professional group	Female	Male
Employee	88%	44%
Worker	12%	56%
Total	100%	100%

This is due to the fact that the majority of women belong to the employees' category (specifically 88%) and the average remuneration for this category is higher than that of the workers' category. Meanwhile, 56% of the men at CAF belong to the workers' category, the average remuneration of which is lower than that of the employee's category.

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.

The treatment of remuneration of the Parent's directors responds to transparency criteria applicable to a listed company. In this regard, the details and individual breakdown of the conditions for the group of directors, which includes the only female senior executive, are reflected in the remuneration report prepared for this purpose and published in accordance with the regulations in force. In addition, the remuneration of the other members of senior management is included in the Annual Corporate Governance Report of Listed Companies.

[38] (Average Remuneration of Men by Group – Average Remuneration of Women by Group)/Average Remuneration of Men by Group.
[39] (Average Length of Service of Men by Group – Average Length of Service of Women by Group) / Average Length of Service of Men by Group.

Universal accessibility

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.

Railway rolling stock manufactured by CAF meet the requirements set out in the 2014 EU technical specifications for interoperability relating to accessibility for persons with reduced mobility, while urban buses are built in accordance with the specifications indicated in Annex IV of Directive 2007/46, which creates a framework for the approval of motor vehicles, recently amended by EU Regulation 2017/2400. These provisions include the requirements of Regulation No. 107 of the Economic Commission for Europe of the United Nations (UNECE) on uniform provisions concerning the approval of category M2 or M3 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[40] and through the adoption of alternative measures envisaged in current legislation.

[40] To comply with the legal obligations in this area, as well as the alternative measures, CAF's headcount includes 85 employees with a certified disability (2020: 98).

4.3 Respect for Human Rights

[102-12, MA 407, MA 408, MA 409, MA 411, MA 412, 412-2]

In addition to committing to the strictest respect for the law in force in all the territories in which it carries out its activities, the CAF Code of Conduct and Sustainability Policy include a commitment to adopt 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, which CAF, S.A. has joined.

Risks associated with respect for Human Rights can arise in various areas such as people management, the environment, operations, business ethics and 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.

The requirement regarding compliance with Human Rights is a priority in all CAF Group activity in 2021 the Due Diligence Procedure of the CAF Group in relation to Human Rights due diligence procedure was reviewed and updated by the Compliance Function to ensure more efficient management and control of the related risks and, specifically, to verify the possible existence of international sanctions that must be taken into account in carrying out different activities of the CAF Group.

In line with this corporate procedure, all potential projects (defined as any business activity) must be systematically evaluated in advance so that the CAF Group can ensure that its participation does not give rise to a breach of Human Rights, either through its own activities or as a direct result of its operations, or due to the sale of its products or the services provided.

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. In particular, since its initial approval the procedure has maintained a key difference in the approach to risk assessment in this area insofar as the risks analysed necessarily include the interests of the affected parties, i.e. the holders of Human Rights, rather than only the Company's interests).

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. Thanks to the application of the internal procedures established, no Human Rights violations arising from the CAF Group's involvement in any project were detected in 2021.

Meanwhile, following on from the report in the 2020 Non-Financial Information Statement concerning a project in Jerusalem that led to a complaint about CAF to the National Point of Contact ("NCP") based on an alleged misapplication of the OECD Guidelines, at the end of 2021 CAF was still awaiting the approval of the final report by the NCP.

In any case, CAF agreed to cooperate at all times 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, the potential risks linked to the CAF Group's activity in this project were reviewed on several occasions, as was their management in accordance with the procedure described above.

In 2021 no Human Rights violations were 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.

The following table summarises the monitoring and evolution of Human Rights procedures in CAF Group over the last three years:

	2021	2020	2019	Objective
No. of complaints received	0	1	0	0
Cases of Human Rights violations detected	0	0	0	0
Projects analysed from a Human Rights perspective (%)	100	100	100	100

The CAF Group has also undertaken awareness raising and training activities on the commitments adopted in this area among the Group's employees in the framework of general Compliance training.

However, to promote an improvement in these aspects, the Group is currently developing a new e-learning module to standardise internal training on due diligence at the corporate level and to offer specific training on Human Rights Due Diligence.

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.

The CAF Group adopts the measures it deems necessary to guarantee both in its own operations and upstream, among its suppliers.[1], compliance with the provisions of the fundamental conventions of the International Labour Organisation (ILO) relating to:

- The ability of workers to exercise their rights to freedom of association and collective bargaining in all the countries in which they carry out their activities;

- Avoidance of child labour, forced or compulsory labour, and the assignment of hazardous work to young people. In this regard, in application of the declaration against slavery and human trafficking of the Modern Slavery Act approved in 2015 in the United Kingdom and the Modern Slavery Act of 2018 approved in Australia, respectively, CAF publishes an annual report on the prevention commitments and measures implemented, and where appropriate the elimination of these practices at both CAF and in the supply chain; and

- Equality and non-discrimination in working conditions, prohibiting the adoption of decisions that may lead to direct or indirect discrimination of workers based on gender, origin, including racial or ethnic origin, marital status, social status, religion or convictions, political ideas, sexual orientation, union membership or not, family ties with people belonging to or related to the company, and language.

In relation to this, two specific protocols are defined: (i) the Protocol for action in the event of sexual harassment or gender harassment, and (ii) 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 2021 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.

4.4 Occupational health and safety in the workplace

[MA 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9]

Occupational Health and Safety Policy and Management Systems

The CAF Group management plan includes a strategic initiative entitled "Deployment of commitments in occupational health and safety". One of the most relevant milestones derived from this initiative has been the decision by CAF to give the health and safety of people and the work environment the same importance as the Company's other values, which has led to the definition of a new corporate value of health and safety in the workplace.

"In carrying out your work, take care of your own and other people's health and safety, as well as that of the environment. Before adopting any decision or conduct, first consider the health and safety of people and the environment"

To ensure that this value occupies its rightful place, the corporate health and safety policy includes a vision of health and safety in the workplace, which is worded as follows:

"At CAF we will build a positive preventive culture, through the leadership of management and the chain of command, and with the participation of our people, maintaining safe, healthy workplaces, where our people set an example of self-care and care for others, as well as for the working environment."

CAF management is aware that its activities can generate risks for the safety and health of people, and it is therefore developing actions to build safety by promoting measures to protect people from occupational risks.

In 2021 CAF defined a Corporate Occupational Health and Safety Policy, the main objective of which is to guarantee health and safety, extending to all stakeholders the commitment to people established in the CAF Sustainability Policy, where it undertakes to employ the necessary means to eliminate or reduce occupational risks and promote a preventive culture among all the people who carry out their professional activities at CAF. This policy covers all CAF companies and applies to all Group employees.

In order to implement these commitments, the Corporate Occupational Health and Safety Policy defines the following basic principles:

- Build a positive preventive culture through the leadership of management and the line of command, in consultation with and the participation of employees and workers.
- Establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities.
- Respect current occupational risk prevention regulations in the countries where the Group operates and, as far as possible, anticipate the introduction of new regulations and comply with the occupational health and safety commitments voluntarily acquired by the Group.
- Continuously identify and evaluate the working conditions of the activities carried out to generate safe and healthy work environments.
- Report clearly on the results and actions in the area of health and safety in the workplace, maintaining the appropriate channels to promote communication with employees and workers and with stakeholders in general.

The Group has also drawn up the development manual for the Corporate Occupational Health and Safety Policy to define and specify how the basic principles set out in the policy should be developed through guidelines and actions which the CAF Group must follow to ensure proper implementation. Both the corporate policy and the development manual were developed by the Environmental Forum on Occupational Health and Safety, made up of the different people responsible for managing occupational safety and health in the Group's main activities, and they were subsequently approved by CAF management.

Following the definition of the Corporate Occupational Health and Safety Policy and Manual, the Corporate Forum on Occupational Health and Safety carried out a GAP analysis for all CAF Group activities. Objectives have also been set for each activity, aligned with the policy, and work has commenced on the definition of improvement action plans. These will be continued in 2022 to achieve the stated objectives. Additionally, in 2021 a unified methodology for occupational health and safety risk management was defined for the CAF Group.

One of the principles of the occupational health and safety policy is to establish or reinforce the occupational health and safety management systems that are focused on continuous improvement and that contribute to integrating the preventive culture into all activities. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives. Through the occupational health and safety policies defined in the management systems of the Group's activities, CAF management expressly declares its firm commitment to maintain and improve the systems in a way that guarantees compliance with current legislation, assuming the protection of workers against occupational risks. These policies integrate prevention management into all Group 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.

With the aim of achieving zero accidents and improving occupational health and safety conditions, and in accordance with the principles of the occupational health and safety policy, CAF has implemented and promotes the extension of occupational health and safety management systems.

In the field of health and safety in the workplace, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Along these lines, in 2021 the target was achieved, with 52% of the Group's total workforce covered by an occupational health and safety management system certified under the requirements of the ISO 45001:2018 standard (in 2020 the workforce covered was 45%). The objective for 2022 is to extend this certification to other manufacturing plants, such as Solaris Bus & Coach, and to other international subsidiaries of the Group.

Certificate	Field	Scope	2022 target [41]
ISO 45001:2018	Occupational Health and Safety Management	52% of the workforce	>60% of the workforce

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. Likewise, the list of qualified internal auditors evaluate the effectiveness of the management system and, in particular, the correct application of CAF policies. 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.

The occupational health and safety management 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.

[41] The target for 2022 is based on the current workforce for 2021.

The management system implemented at CAF not only ensures the health and safety of employees but addresses issues aimed at preventing or mitigating the risks of workers from other companies who carry out activities at CAF facilities, as well as those who visit these facilities. The management system therefore establishes the measures and means of coordination with these companies as regards the application of the regulations on prevention of occupational risks and the coordination of business activities with them. It also includes procedures for managing visits to CAF facilities in terms of information on the risks and prevention measures to be adopted.

Preventive activities and prevention plans

One of the main activities of the management system is risk assessment, a process aimed at estimating the magnitude of risks that could not be avoided and obtaining the necessary information to adopt preventive measures. Risks for workplaces, job positions and activities, whether related to health, safety, ergonomics or psychosociology, are identified and then assessed. Among others, these risks the ones that can cause a work-related injury with significant consequences[42]. If the outcome of an assessment reveals situations of risk, preventive and corrective measures are proposed. The measures adopted aim to eliminate or reduce the risk through actions at source, at the organisational level, for collective and/or individual protection, and training and information for workers, or a combination of all or some of these measures. The hierarchy for proposing control measures is as follows, in this order: elimination, replacement, engineering controls, signalling/warning and/or administrative controls and finally the provision of PPE.

Once the risk assessment has been carried out, both employees and workers who are not employees but whose work or workplace is controlled by CAF are informed of the risks arising from the risk assessment, as well as of the safety, prevention, protection and emergency measures to adopt.

The people who carry out the risk assessment process are people all have the necessary training and skills based on the provisions of the relevant legislation in each case. The procedures related to this process designate the team entrusted with the task and describe the methodology and frequency of the process and how to document it.

Another key activity of the management system is the investigation of any accidents and incidents that occur, the purpose of which is to adopt the necessary measures to prevent their recurrence by obtaining data to define the event, identify the hazards, assess the risks and establish the root causes that generated them. The same hierarchy as indicated above is used to adopt the relevant measures and determine the necessary improvements to the occupational health and safety management system.

With regard to occupational health services, CAF has its own prevention service at the plants in Beasain and Irún, offering the specialities of occupational safety, industrial health and health monitoring, as well as a similar serve at the Zaragoza plant, which offers occupational safety, industrial health, ergonomics and applied psychosociology. All the other specialities are provided through external prevention services. These services have competent and qualified personnel to carry out the relevant functions, as well as health services authorised by the competent authority in each case to guarantee the provision of a quality service for workers.

CAF P&A also has its own prevention service, offering the specialities of safety, ergonomics and applied psychosociology; CAF Signalling's prevention service offers health, ergonomics and applied psychosociology and health monitoring; CAF T&E's prevention service offers safety, health, and ergonomics and applied psychosociology; and Trenasa and CAF Rail Services have an external prevention service for all specialities. All the other national and international subsidiaries have occupational health services in compliance with the applicable legal requirements in each country.

There is also social dialogue handled through formal worker-company committees in the health and safety area. All Vehicle and Bus manufacturing plants as well as the subsidiaries CAF T&E, CAF Signalling and CAF Rail Services has an occupational health and safety committee made up of

[42] Work-related injury with significant consequences: work-related injury resulting in death or injury such that the worker cannot or does not fully recover their pre-accident health, or the worker is not expected to fully recover their pre-accident health within six months.

representatives from management, prevention officers, the prevention service and the managers of the activity in question. These committees gather information from the various operating levels and approve the occupational risk prevention plans, with input from workers regarding the definition of the plans. 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. Thanks to these mechanisms, 90% of all Group employees are represented in occupational health and safety matters.

The management system framework includes communication tools and channels for reporting hazards and proposing measures and actions to reduce risks and prevent incidents or accidents that may harm the health of employees and workers. Accordingly, specific work and management forums deal with issues related to occupational health and safety, and workers can report hazards either directly and or through their representatives. There are also monitoring and coordination activities, such as planned work inspections where any hazards observed are reported, analysed and assessed to determine the necessary measures to apply before work is carried out, aimed at preventing the occurrence of any work-related incidents or accidents.

Based on collaboration with social agents and social dialogue in matters of health and safety aimed at reducing accidents and improve working conditions at the different plants, every year different lines of action are drawn up for inclusion in the occupational risk prevention plan.

The occupational risk prevention plans of the parent company also set out the guidelines for monitoring and promoting health. The general objective of health monitoring is to improve the quality of the information in the clinical-occupational history related to risk exposures. It is focused on the following lines of action: definition of the specific information to improve, and adaptation of the IT tool to the needs of the clinical history.

The health monitoring activities include procedures for employees and workers who are pregnant or breastfeeding with the general aim of adopting a set of measures aimed to protect these women at work. Specifically, the risk for pregnancy or breastfeeding to which the worker is exposed is determined, a medical certificate is drawn up stating whether the conditions of the job position have a negative influence or not on the health of the worker, foetus or infant, and recommendations are established regarding the adaptation, limitation, change of job position or application of the risk allowance during pregnancy.

There are also procedures for handling situations where workers are especially sensitive to risk factors in the workplace or have psycho-physical limitations in order to assign them to jobs that are suitable to preserve their health and/or safety and that of third parties.

Regarding the risks derived from the supply of equipment or materials for integration into CAF manufacturing process, CAF's commercial relations with its suppliers include control mechanisms and procedures to identify and assess these risks and define prevention and protective measures to reduce or eliminate them.

Occupational health and training for workers is based on the risks identified in the risk assessments carried out for each job position and is included in CAF's annual training plan. The onboarding programme for new hires includes a training/information process on the risks, prevention measures, protection and emergency measures to be adopted in the workplace. Workers also receive specific training in occupational risk prevention based on their tasks and the risks to which they are exposed.

Regarding health promotion activities, the objective is to collaborate with the national health system in promoting healthy lifestyles that improve the physical and mental well-being of workers. The parent company includes these activities in the annual occupational risk prevention plan and reports on them through the meetings of the Occupational Health and Safety Committees. The activities promoted focus on encouraging a healthy diet and physical exercise, the prevention of infectious diseases, medical check-up, and training and information in the area of first aid, health and ergonomics. All the Group's subsidiaries also carry out health promotion activities with campaigns to encourage and offer guidelines to workers on the acquisition of healthy lifestyles at work and in their personal lives.

In line with one of the basic principles of the Corporate Occupational Health and Safety Policy, related to building a positive preventive culture, in 2021 the culture project continued in the manufacturing plants of the parent company after carrying out a diagnosis and defining a plan to improve and develop the preventive culture launched in previous years. The first step in 2021 was to implement the plan, prioritising the definition of the occupational health and safety model to be shared across the entire organisation. This exercise led to the definition of the occupational health and safety vision and value, and the drafting of the Corporate Occupational Health and Safety Policy. The current systems were also reviewed to ensure that they are conducive to generating a preventive culture within the organisation. This action plan will be continued in 2022.

With regard to all the other Group activities, the GAP analysis conducted in relation to the Corporate Occupational Health and Safety Policy led to the definition of the policy objectives and improvement action plans are also being defined. These plans include actions to improve the level of preventive culture, which will be carried out in 2022. The indicator used to determine the level of preventive culture is the preventive culture index, which is obtained from the Nordic Occupational Safety Climate Questionnaire (NOSACQ-50). The value of the preventive culture index remains at 2.8 as there is no measurement in 2021. The objective is to exceed the value of 2.9 for this index, and it is planned to extend the scope of this diagnosis to other Group activities.

Regarding the management of the pandemic caused by the SARS-CoV-2 coronavirus (COVID-19), and maintaining the objective of first and foremost protecting workers from the risk of exposure to this agent, in 2021 the Group monitored the epidemiological situation and the incidence of cases at each plant and location to adopt and implement the necessary preventive measures at all times, updating and communicating the action protocols when necessary to reduce the risk of infection among workers. Communication and information actions were carried out through the communication channels available within the CAF Group on the rules to observe in relation to the preventive measures implemented, and follow-up activities were conducted to verify and ensure compliance.

Depending on the epidemiological situation, different actions were carried out to ease the measures implemented. Specifically, measures were eased in offices and dining rooms reopened. In the case of employees working from home, these members of staff were given the necessary means and equipment to reduce the ergonomic risks to which they may be exposed, and they also received training on the risks of this working method and the preventive measures to implement to reduce those risks. Regarding the opening of the dining rooms, specific protocols for their use were drawn up and communicated to employees to reduce the risk of infection inside these spaces.

Making an assessment of 2021, 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.

Occupational risk prevention in figures

The occupational risk prevention plans are implemented annually and define the annual programme of preventive activities and occupational health and safety objectives.

In relation to the accident rate objectives, three main indicators are measured: the frequency index, the severity index and the absolute frequency index. The table below shows these indicators for CAF Group employees, the most significant national and international CAF Group operations, and the number of occupational illness cases identified.

CAF Group (CAF employees) [43][44]									
	2021			2020			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Frequency rate[45]	19.68	2.20	17.28	20.09	4.28	17.98	23.41	4.10	20.89
Severity rate[46]	0.46	0.05	0.40	0.50	0.06	0.44	0.51	0.17	0.47
Absolute frequency rate[47]	68.29	8.43	60.09	72.72	16.71	65.25	86.74	28.69	79.16
Occupational illness rate[48]	10.60	0.00	9.10	10.74	0.00	9.18	11.74	0.00	10.19

As can be seen in the above table, the accident rate is steadily declining among employees at Group level, both for men and women in all the indicators shown.

The same indicators are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation.

Workers not employed by CAF [49]			
	2021		
	Male	Female	Total
Frequency rate	21.74	17.36	20.50
Severity rate	0.47	0.11	0.37
Absolute frequency rate	48.06	26.04	41.82
Occupational illness rate	0	0	0

The work-related injuries for CAF employees recorded in the last three years are shown below.

[43] This includes indicators for 91% of the CAF Group's total workforce representing the Group's main activities, excluding those companies whose activities are mainly branches and generate less risk. For the coming years, the intention is to continue to broaden the scope of the data reported.

[44] The number of hours worked in the indicated scope amounted to 19,904,256. When segregated data by gender were not available, an estimate was made based on the distribution of the headcount.

[45] $IF=\frac{\text{Number of accidents with sick leave*1,000,000}}{\text{Hours worked}}$

[46] $IG=\frac{\text{Number of days of work lost*1,000}}{\text{Hours worked}}$

[47] $F2=\frac{\text{Number of total accidents*1,000,000}}{\text{Hours worked}}$

[48] $EP=\frac{\text{Number of professional illnesses*10,000}}{\text{Number of workers}}$

[49] The number of hours worked in the stated perimeter of workers not employed by CAF has risen to 1,219,640. With regard to external companies, no data are available for previous periods because the Group only started collecting information in 2021. In previous years, significant incidents/accidents on CAF facilities were reported and monitored but no statistics were compiled because the volume of accidents was insignificant.

CAF Group (CAF employees)										
		2021			2020			2019		
		Male	Female	Total	Male	Female	Total	Male	Female	Total
Fatalities as a result of a work-related injury[50]	No.	0	0	0	0	0	0	0	0	0
	Rate	0	0	0	0	0	0	0	0	0
Serious work-related injuries (excluding fatalities)[51]	No.	0	0	0	3	0	3	0	0	0
	Rate	0	0	0	0.16	0	0.16	0	0	0
Recordable work-related Injuries[52]	No.	1,173	23	1,196	1,216	43	1,259	1,408	70	1,478
	Rate	68.29	8.43	60.09	72.72	16.71	65.25	86.74	28.69	79.16
Occupational illnesses[53]	No.	11	0	11	9	0	9	12	0	12
	Rate	10.60	0	9.10	10.74	0	9.18	11.74	0	10.19

The data in the above table indicate a downward trend in accidents among employees at Group level, with a lower number of recordable work-related injuries and no serious injuries in 2021.

The same data are also shown for workers not employed by CAF but whose jobs or workplaces are controlled by the organisation.

Workers not employed by CAF				
		2021		
		Male	Female	Total
Fatalities as a result of a work-related injury	No.	0	0	0
	Rate	0	0	0
Serious work-related injuries (excluding fatalities)	No.	0	0	0
	Rate	0	0	0
Recordable work-related Injuries	No.	415	38	453
	Rate	48.06	26.04	41.82
Occupational illnesses	No.	0	0	0
	Rate	0	0	0

The main types of work-related injuries that occurred in 2021 among CAF workers were due to overexertion of the musculoskeletal system, falls and trips, blows and cuts with tools, and particle projections, while the injuries of workers not employed by CAF were due to blows and cuts with tools, and particle projections. No work-related injuries with significant consequences were recorded in 2021.

A common employee indicator at organisations is the absenteeism rate. This indicator measures the hours lost in relation to the theoretical hours. In 2021 this rate was 6.6%[54] at the corporate level (in 2020: 5.2% and in 2019: 4.6%).

50 $\frac{\text{No. of Deaths as a result of work-related injury*1,000,000}}{\text{Hours worked}}$

51 $\frac{\text{No. of serious work-related injuries ("excluding fatalities")*1,000,000}}{\text{Hours worked}}$

52 $\frac{\text{No. of Recordable Work-Related Injuries*1,000,000}}{\text{Hours Worked}}$

53 $\frac{\text{No. of occupational diseases*10,000}}{\text{Number of workers}}$

54 This absenteeism rate corresponds to 89% of the Group's workforce and takes into account the hours lost due to accidents and illness, amounting to 1,371,597 hours lost. The 2020 figure corresponded to 83% of the Group's workforce and the 2019 figure corresponded to 82% of the Group's workforce.

5 CONTRIBUTING TO THE CARE OF THE ENVIRONMENT

"CAF is committed to the socially and environmentally sustainable development of the communities in which it operates, through the reduction of the environmental impact of its operations and products/services and the promotion of activities that contribute to economic development, the generation of knowledge, the promotion of education, and social and cultural promotion."

CAF Sustainability Policy
17 December 2020

5.1 Environmental management

[102-11, MA 307, 307-1]

CAF management is aware that the Group's industrial activities have an impact on the natural environment and that it operates in an increasingly challenging environment. In line with the provisions of the United Nations Global Compact for the 2030 Agenda for Sustainable Development, the Group has therefore established a commitment to undertake actions to mitigate the causes of global warming and adapt to climate change by implementing measures that contribute to environmental sustainability.

Accordingly, in 2020 the Corporate Environmental Forum, made up of the environmental managers of the Group's main activities, drew up the Corporate Environmental Policy and Development Manual, which were subsequently approved by CAF management. The main objective of the corporate policy is to define the general principles and criteria that should govern CAF at the corporate level in environmental matters, and to extend the environmental commitments set out in the CAF Sustainability Policy to all stakeholders, based on the view that the environment is a key element of the concept of sustainability and in particular of the development of comprehensive sustainable mobility solutions that are more efficient while being more respectful of the environment. Accordingly, CAF adopts a transparent communication and information strategy to meet stakeholder expectations regarding environmental conservation, the increasingly demanding regulatory requirements and the constant analysis of management by analysts, evaluators and different agents of civil society. 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.

In addition, the principle of environmental care through the prevention of the environment impact of all activities is an integral part of the Group's Environmental Policy, and CAF therefore adopts the necessary and economically viable measures to control and, where applicable, minimise emissions into the atmosphere, waste generation and energy consumption to preserve natural resources.

In 2021, following the definition of the Corporate Environmental Policy and Development Manual, as well as a unified environmental risk management methodology for the entire CAF Group, the Corporate Environmental Forum conducted a GAP analysis with respect to the policy for all CAF Group activities. Objectives were also set for each activity, aligned with the policy, and improvement action plans were drawn up for deployment in 2022 to achieve the stated objectives. The unified methodology for environmental risk management was also deployed in 2021 for all CAF Group activities.

In addition to the Corporate Environmental Forum, CAF has an Environmental Committee, made up of the parent company management and environmental managers, which coordinates and promotes all the actions considered necessary to ensure and improve environmental performance, as well as coordinating aspects related to the Group's environmental management.

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. These management systems identify and evaluate the applicable legal requirements and establish periodic controls to check compliance. The effectiveness of the measures adopted is also evaluated to ensure achievement of the stated objectives.

In the field of environmental management, the Group has certifications and assessment and monitoring mechanisms exceeding the legal requirements in each of the countries in which it is present. Along these lines, in 2021, the target was achieved, with 70% of the Group's total workforce covered by an environmental management system certified under the requirements of ISO 14001:2015 (in 2020, 68% of the Group's workforce was covered). The objective for 2022 is to extend this certification to other manufacturing plants and international subsidiaries of the Group.

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.

In addition, concerning the continuing implementation of effective systems for the management and continuous improvement of environmental performance, in 2021 the Group's parent company implemented the environmental management excellence model based on the European Eco-Management and Audit Scheme (EMAS). The objective is to obtain certification for the Group's parent company in 2022.

Performance, Credibility, Transparency

Certificate	Field	Scope	2022 target
ISO 14001:2015	Environmental management	70% of the workforce	>70% of the workforce
EMAS	Environmental management	-	Group's parent company

The following environmental risks associated with both the products and services the Company provides and the industrial activities it carries on are identified in this area: (i) use of polluting materials; (ii) non-optimisation of energy consumption and natural resources (electricity, fuel, water, etc.); (iii) pollution of water and soil;-(iv) impact on biodiversity; (v) air pollution and global warming; (vi) impact on natural resources due to inadequate waste management; (vii) environmental impact of products and services on technological development; (viii) noise pollution; (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 these risks can result in 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, derived from poor environmental management, and fines and inspections related to infringement of environmental laws. Although these impacts have a direct short-term effect, the first two impacts mentioned may have a medium-term effect since environmental impacts are lasting. In this regard, it is worth noting that, as in 2020, 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 these risks.

5.2 Climate strategy

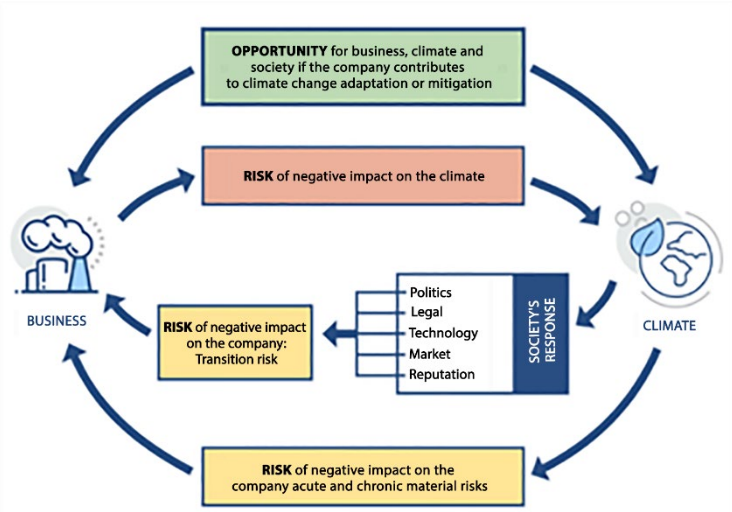
[201-2, MA 305, 305-1, 305-2]

Risks and opportunities derived from climate change

The CAF Group is involved in an internal project to create a framework for managing risks and opportunities in the area of climate change following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the non-binding Guidelines on non-financial reporting: Supplement on reporting climate-related information, published on 20 June 2019 by the European Commission. The project is divided into several phases, the first of which defined the project foundations by analysing the scope, the objectives to achieve and the timeline for the work plan.

In the second phase of the project currently underway the Group is identifying the risks and opportunities of climate change in the short, medium and long term, based on the most up-to-date climate scenarios of the IPCC (AR6, Climate Change 2021: Physical Basis). The main tasks in this second phase are: analyse the sector trends and the risks and opportunities associated with climate change at peer companies, identify climate risks and opportunities for the CAF Group, including their financial impact, and define a methodology to monitor and control them accordingly.

This analysis factors in both physical and transition risks when assessing possible negative deviations from the CAF Group's objectives. The physical risks are classified as acute or chronic, while the transition risks are classified as political and legal, technological, market or reputational risks. The Group also identifies opportunities that could lead to a positive deviation from the CAF Group's objectives, such as more sustainable products and services, more efficient resources and energy sources, and the management of certain risks that could unlock benefits and bring added value to the organisation[55].



In the final phase in 2022 CAF aims to improve external reporting on this matter by responding to the CDP climate change questionnaire with tasks that will have to include carbon footprint reports and verifications, results of the main climate change risks and opportunities, sustainability plans or strategies, sustainability and environmental reports, and other information on best practices for climate change mitigation and adaptation, as well as the organisation's commitment to achieving net-zero emissions in the long term.

[55] European Regulation 2019/C 209/01: Guidelines on non-financial reporting: Supplement on reporting climate-related information

Greenhouse gas (GHG) emissions

The main source of direct emissions contributing to the Company's greenhouse gases is CO_2 arising from energy consumption. Meanwhile, studies on the development of more efficient and eco-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 connection with this, the Group analyses the impact of the life cycle of railway products, reflected in the environmental product declarations (EPD) indicated in Section *"5.3. Sustainable and efficient mobility".*

In order to define climate change strategies focused on reducing CO_2 emissions and promoting renewable energies, in 2021 the Group added the "Net-Zero Emissions" initiative to the Sustainability Plan with the aim of reducing the greenhouse gas emissions generated by its activities.

The action plan to carry out the CAF Group's Net-Zero Emissions initiative includes the following lines of action developed in 2021:

- Adherence to climate change initiatives and the Paris Agreement, SBTi (Science-Based Targets Initiative) and Race to Zero, reinforcing the Company's commitment to the challenge of climate change
- Calculation of the carbon footprint of the entire CAF Group in accordance with the guidelines and approach of the GHG Protocol and the IPCC, and in compliance with the requirements set out in ISO standard 14064:2018 (Scopes 1, 2 and 3 for 2019 and 2020). Through this action, the calculation of GHG emissions developed in previous episodes (2019 and 2020) has been revised, thus improving the calculation performed.

The following actions have been defined for 2022:

- Calculate the 2021 carbon footprint of the entire CAF Group
- Complete the first Carbon Disclosure Project (CDP) report
- Based on the CAF Group carbon footprint (for 2019, 2020 and 2021), the strategic milestones at a global level and the challenges of the sector, start defining the corporate emission reduction objectives for deployment to all Group activities.

To calculate the carbon footprint, the criteria of ISO 14064:2018 and the GHG protocol were followed and a materiality analysis was performed. As a result of this analysis, the following have been taken into consideration:

- Direct emissions (Scope1): emissions from fuel consumption in stationary and mobile installations, as well as fugitive emissions from the recharging of fluorinated gases.
- Indirect emissions (Scope 2): derived from electricity consumption and thermal energy consumption.
- Other indirect emissions (Scope 3): production and transport of materials to the Group's sites, transport of the product to the customer, waste management and transport, water consumption, in itinere transport of employees and business trips, as well as product use.

The greenhouse gases (GHG) included in the calculations are expressed in equivalent tonnes of CO_2 and refer to emissions of carbon dioxide, methane and nitrous oxide (CO_2, CH4 and N2O, respectively), in addition to the hydrofluorocarbons (HFCs) associated with refrigerant gas leaks.

As part of the net zero emissions strategic initiative, during 2021 the Group revised the method used to calculate its carbon footprint. As a result, the calculations carried out for previous years (2019 and 2020) have been revised to include Scope 3 and new items under Scope 1 (i.e. certain manufacturing plants). The emission factors originally considered were also replaced with others that are more accurate as well as more appropriate for CAF's activity and geographic location. For the 2021 financial year, the emissions related to scopes 1 and 2 are shown for the CAF Group's manufacturing plants, where the largest proportion of emissions are centralised.

Field	Scope	t CO_2 eq 2021	t CO_2 eq 2020	t CO_2 eq 2019
Manufacturing plants[56]	Scope 1	26,230	25,326	29,874
	Scope 2	10,699	16,167	12,434
	Total 1 + 2	**36,929 (-11%)**	**41,493 (-2%)**	**42,308**

In order to reduce CO_2 emissions and in particular indirect emissions (Scope 2) derived from electricity consumption, the parent company has contracted[57] a100% renewable energy source with a guarantee of origin for the 2021-2023 period for the parent company's manufacturing plants. Taking into account the calculation of the carbon footprint made with the improvements incorporated, the 2021 emissions derived from Scope 2 have been reduced by 33% compared to 2020.

In relative terms, the following table presents the emission intensity ratio[58], which includes Scopes 1 and 2:

Emission intensity (t CO_2 eq. /MHW)[59]	2021	2020	2019
Emission intensity manufacturing plants[60]	3.5	3.7	3.3

With regard to the emission of volatile organic compounds (VOC), the CAF Group complies with the legal requirements on the limitation of VOC emissions due to the use of solvents in certain activities[61] and the parent company 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[62]. 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.

[56] Consolidation method: operational control
[57] With this action, a theoretical reduction of 66% of Scope 2 emissions from the CAF Group's manufacturing sites was estimated, taking as a reference the emissions generated in 2020. To define this objective, the calculation of Scope 2 of the carbon footprint, which was being carried out in 2019 and 2020, was taken into account. By calculating the target in the way it was defined, in 2021 a 71% reduction in Scope 2 emissions from the CAF Group's manufacturing sites has been achieved compared with 2020.
[58] t CO_2 eq./Man Hours Worked

[60] Carbon intensity data are included with the new methodology used in the net zero emissions strategic initiative. With the methodology used in the information provided in the 2020 sustainability report, the carbon intensity result in 2021 would be 2.4 t CO_2 eq./MHW.
[61] Council Directive 1999/13/EC, of 11 March, 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.
[62] Data relating to the reporting on this matter to the Basque Autonomous Community Government until the date of publication of this report.

5.3 Sustainable mobility and eco-efficient products

Between 1990 and 2017, greenhouse gas emissions from transport increased by around 28% in the European Union. Today, transport accounts for nearly 25% of global CO_2 emissions, with rail transport contributing a mere 0.5%[63].

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.

Faced with this reality, the European Green Deal of the European Commission sets a target of 90% fewer CO_2 emissions from transport by 2050, which will require exceptional efforts in the coming years.

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 replacing fossil fuels and reducing the energy costs of transport by providing highly efficient mobility alternatives to point the way to a sustainable, clean, ecological and emissions-free future. Thanks to these efforts, in 2021 CAF was awarded the world's largest contract for battery-powered trains, namely 60 units for the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe).

Meanwhile, the emissions from CAF's electric solutions for rail passenger transport are equivalent to an average of 6.5g CO_2/passenger-km[64], proving that they are among the most efficient mobility solutions in the transport sector.

In 2019 CAF won the Manufacturer of the Year and Project of the Year (in the under-50 million euros category under) prizes at the Global Light Rail Awards for the supply of six state-of-the-art vehicles for the first catenary-free light rail system in passenger operation in Oceania (Newcastle Light Rail in New South Wales, Australia). Furthermore, in 2020 CAF received a Highly Commended mention in recognition of the outstanding commitment of the workforce in a project related to sustainable mobility: renovation of the Birmingham tramway to incorporate an on-board energy storage solution.

Regarding buses, Solaris's portfolio of emissions-free products have effectively contributed to changing the image of public transport worldwide and in the last three years have received the following international awards:

- 2019 - Smart City Forum (Poland): Award in the Smart Solutions-Smart City Solution category for its innovative electromobility solutions towards zero-emissions in transport.
- 2019 - Top Design Award (Poland): Award for the Solaris Urbino 12 LE Lite Hybrid Bus in the Automotive and Public Transport category.
- 2019 - E-mobility Leader (Poland): Award for its contribution to the development of zero-emissions transport in Poland.
- 2020 - Top Design Award (Poland): Award for the unique and innovative design of the Trollino 24 bi-articulated electric trolleybus.
- 2020 - E-mobility Leader (Poland): Award for its contribution to the development of zero-emissions transport worldwide.
- 2021 - Busplaner Sustainability Award (Germany): Award from one of the most influential sector magazines in Europe for the Solaris Urbino 15 LE electric bus in the Electric Bus category.

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[63] 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.
[64] Calculation carried out in 2018.

- 2021, Kielce Trade Fair Medal (Poland): Award for the Solaris Urbino 12 Hydrogen bus as the best product in the bus category.
- 2021 - Sustainable Bus Award (International): The Solaris Urbino 15 LE electric bus received the Sustainable Bus Award (International) in the Urban category. The main motivation of the Sustainable Bus Award is to popularise the idea of sustainability in public transport and build a positive image of public transport as an area that plays a key role in climate change action.

Main innovations adopted to improve the sustainability of products

The main innovations aimed at improving the sustainability of CAF products revolve around the following areas that apply to all vehicles, both trains and buses: 1) Eco-design methodology, 2) Improvements in energy efficiency, 3) Deployment of sustainable alternative fuels, 4) Increased useful life and recyclability, and 5) Reduction of noise and vibrations[65].

Eco-design methodologies

CAF has played an active role in the development and implementation of methodologies aimed at transforming the sector from an ecological standpoint. For example, it was a member of the "Life Cycle Assessment Topical Group" of the railway industry association UNIFE, which defined the best ways to implement the legislative and regulatory aspects related to ecology in the different processes of the product life.

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.

Making the ecological footprint visible

CAF determines the environmental footprint of its products using life cycle analyses (LCAs). Based on this information, CAF generates environmental product declarations (EPD) for its customers.

In 2011 CAF developed the world's first verified environmental product declaration (EPD) for a tram, according to the ISO 14025 standard, for the Urbos Tram in the city of Zaragoza. This environmental impact study was quantified through a life cycle analysis (LCA) in accordance with ISO 14040 and ISO 14044 standards. Since then, CAF has continued to certify products in different segments (tram, metro and regional train) and is currently one of the rolling stock manufacturers with the largest number of registered EPDs.

CAF will finish its first EPDs for the Urbino 18m Electric and Urbino 12m Hybrid buses in March 2022.

List of EPDs obtained by CAF's rolling stock unit:

- URBOS 100 tram for the city of Zaragoza
- URBOS AXL for Stockholm Lokaltrafik A35 Tram Units
- CIVITY EMU regional electric train for the Friuli-Venezia Giulia region
- URBOS AXL for Stockholm Lokaltrafik A36 Tram Units
- Metro Units M300 for Helsinki Metro Transport
- URBOS 100 tram for the city of Kaohsiung
- URBOS 100 tram for the city of Lund

[65] Icons made by "Eucalyp", "Good Ware", "Pixel perfect", "Nhor Phai" and "Catalin Fertu" from Flaticon.

Improvements in energy efficiency

Improving the energy efficiency of products and services is a priority challenge for CAF.
Some of the measures adopted in its vehicles for this purpose are:

Reduction of energy consumption in traction

Energy recovery in braking

Energy recovery during braking is an essential component in the operation of railway and trolleybus networks because it helps to reduce consumption and achieve high rates of energy efficiency. CAF trains and trolleybuses are specifically designed so that regenerative braking has priority over rheostatic and friction braking. This means that the energy recovered in the braking process is not used by the vehicle itself but is either returned to the catenary for use by another train/trolleybus or is returned to the general electrical grid.

All CAF electric vehicles first use the energy regenerated during braking to power the their auxiliary equipment or batteries.

High-efficiency traction equipment

CAF trains, electric buses and trolleybuses incorporate systems to obtain maximum performance from the energy consumed during operation, both in acceleration and braking. The use of highly efficient traction equipment makes it possible to minimise energy loss and optimise energy use.

CAF has developed advanced control strategies for variable flux in motors to minimise energy losses. These control strategies actively manage the motor flow according to the required operating conditions (torque, speed, drift, etc.), therefore reducing consumption when the flow required is lower.

Silicon carbide (SiC) transistor technology is another innovative technology to maximise the efficiency of the traction system and reduce energy losses that CAF is currently rolling out in both trains and buses. These transistors allow higher switching speeds, which reduces power losses. SiC technology can reduce the total energy consumed by a train by between 8 and 10%.

Efficient energy management based on journey times

The driving mode has a decisive influence on the vehicle's energy consumption. The vehicle control system calculates in real time the level of performance that minimises the vehicle's energy consumption based on the characteristics of the route and the target travel time. This information makes it possible to optimise driving from an energy point of view.

The solutions available to the CAF Group in the field of energy-optimised operations are: the DAS (Driver Advisory System) solution described in the previous paragraph and CAF Signalling's AURIGA solution that optimises energy consumption in automatic train operation (ATO).

Reduction of journey times

Several CAF technological developments have delivered new advantages for the general reduction of energy consumption in trains. Systems such as the SIBI smart tilting system allow for higher speed on the bends in a route without loss of comfort for passengers, reducing journey times by 30%. The ability to travel at higher speeds on bends also reduces the need to modify the speed of the trains (brake and accelerate), which contributes to greater energy efficiency.

Modular & customisable accumulation systems

CAF accumulation systems make it possible to: 1) operate vehicles on sections without electricity, and 2) store the energy generated during braking. The equipment is modular and customisable so the accumulation and loading solution can be optimised according to the needs of each customer, thus minimising life cycle costs.

Smart BTMS in battery systems

Operating batteries at temperatures that are either too high or too low has a critical impact on their capacity, the energy available for use and the useful life of the batteries. CAF uses a battery thermal management system (BTMS) in its vehicles for optimal control of battery temperature, therefore ensuring that they operate in optimal conditions and maximising performance and useful life.

Weight reduction

The design of the vehicles is focused on their weight, which is an effective way of optimising energy demand. This objective applies both to the structural elements of the vehicle and to all of the equipment and components, while guaranteeing the highest quality and safety standards. During the vehicle manufacturing process, the mass of the components and of the vehicle itself is controlled to ensure that the planned weight is not exceeded.

Reduction of energy consumption of auxiliary equipment

Maximum reduction of energy consumption can only be achieved through the adoption of global measures that also take into account the auxiliary equipment of trains and buses, the control of their operation and their state of conservation.

Equipment sizing based on real needs

Each project contains an equipment sizing process according to the specific project needs, therefore avoiding the construction of oversized equipment could lead to greater weight and higher consumption than necessary.

Management of energy consumption while stationary

Different operating modes are defined to reduce the energy consumption of the stationary vehicle, such as cleaning, maintenance or parking mode. These modes establish the optimal working conditions for the auxiliary equipment to reduce energy consumption. For example, carrying out an individual control per carriage rather than per train means that only the equipment of certain carriages is active at any given time, according to the needs in case. This measure achieves significant energy savings.
Likewise, the introduction of the "Start/Stop" system in buses significantly reduces fuel consumption and therefore CO_2 emissions.

Management of energy consumption while in service

To reduce energy consumption while in service, CAF has introduced strategies that combine 1) the best use of internally generated energy flows and 2) the operation of the different systems at their optimal operating point. For example, these strategies make optimal use of the energy regenerated during braking by avoiding its dissipation in the form of heat.

Efficient air conditioning

Air conditioning equipment is the second largest consumer of energy in vehicles, second only to traction equipment. To reduce this consumption, CAF uses the high-performance refrigerants and adopts various measures to improve the energy efficiency of the air conditioning system: heat pump, adjustable outdoor air intake depending on the CO_2 level, etc. Likewise, thermal insulation is maximised in the vehicle design to reduce energy losses due to heat transfer between the interior and exterior of the train/bus.

Thermal insulation

To increase the thermal insulation of its vehicles, CAF installs insulating panels on the entire surface of the carbody and establishes maximum values for thermal transmission in components such as windows, doors and corridors. In some contracts, CAF has achieved very low thermal transmission values (eg. 1.1 W/m2K), which is substantially lower than the limits required in the contracts.

But it is not only CAF vehicles that have evolved in recent years to reduce their consumption. With regard to buildings designed by CAF Turnkey & Engineering, the key example is the benchmark design of the tram depot, which includes the following measures to reduce its consumption:

- A green roof to improve the temperature regulation of the building. This improves energy efficiency due to its high water retention capacity (cooling in summer) and the contribution of thermal mass (heating in winter).
- A photovoltaic power plant on the roof.
- A sawtooth roof that creates skylights for natural light to enter the building, therefore reducing electricity consumption and providing a more comfortable and healthy space for workers.

CAF Signalling and CAF Turnkey & Engineering have also carried out a joint development to power track elements installed in remote locations via a photovoltaic energy system and controller batteries. These systems are remotely monitored to guarantee correct operation and ensure their availability and safety in accordance with strict sector requirements.

Deployment of sustainable alternative fuels

In recent years, the CAF Group has poured significant efforts into developing vehicles that operate with alternative fuels to diesel that are more eco-friendly. Key examples are the hydrogen and compressed natural gas (CNG) buses that Solaris has put into service in various European cities. Hydrogen-powered vehicles are considered to be zero-emission as they only emit water vapour into the atmosphere, while CNG vehicles reduce particle and greenhouse gas emissions. In 2020 Solaris received the Global e-Mobility Leader Award for its contribution to the development of zero-emission transport around the world.

With regard to trains, CAF is developing a prototype hydrogen-powered train with the aim of testing it on track by mid-2022. This project (FCH2RAIL) has been promoted by the FCH JU, a European Commission agency dedicated to promoting the development of hydrogen and fuel cells, and it has significant funding from European funds (around 10 million euros) through the H2020 programme.

The CAF Group also supplies diesel vehicles equipped with batteries to reduce fuel consumption. This consumption reduction is generally around 20%-30%.

These solutions are complemented by other electrical solutions in the CAF Group's product portfolio aimed at reducing transport emissions, such as the replacement of diesel vehicles with battery-powered electric vehicles. For example, CAF has been awarded the world's largest contract for battery-powered trains with the supply of 60 units for Germany.

Increased useful life and recyclability

Useful life

The CAF Group's trains and buses have been designed to meet the market's most demanding useful life requirements. Trains have a useful life of approximately 35 years compared with 15 years for buses. These useful lives are achieved through continuous improvement in the durability of the components since their conception.

The structural components of trains (carbody structure, frame and bogie axles) are designed, calculated, manufactured and tested to guarantee their useful life. All the other systems (couplers, propulsion system, brakes, HVAC, APS, doors, TCMS, etc.) are subjected to shock and vibration tests based in line with the IEC 61373 standard (Shock and vibration tests) to ensure adequate durability in service.

The CAF Group also works continuously to improve the useful life of elements subject to wear and tear since these suffer unavoidable degradation during use: wheels, tyres, brake discs, brake linings, bearings, shock absorbers, floor coverings, rubber gaskets and elastic elements, filters, etc.

The useful lives of the vehicles indicated above are achieved by following the assigned maintenance plan. CAF has a department focused on improving the reliability, availability, maintainability (RAM) and life cycle costs (LCC) of its vehicles, which has launched more than 70 initiatives. Approximately half of these initiatives are aimed at extending the useful life of equipment and components in service: wheels, bearings, engines and motors, brake cylinders, etc. For example, the wheel analytics system developed in 2021 optimises the useful life of the wheel before it is replaced.

Recyclability

CAF selects the materials during the design phase in line with ecodesign principles and recyclability rate while respecting the technical and functional requirements. Products are also designed for easy dismantling at the end of their useful life. Based on the experience accumulated in the supply and maintenance of its vehicles, CAF guarantees the optimisation of consumables (lubricants, sand, brake linings, etc.) and the factors that make it possible to reduce their consumption.

CAF trains have a high rate of recyclability and recoverability. According to the EPDs (Enviromental Product Declaration) mentioned above, the recyclability rate ranges between 90.8 and 93.6 and the recoverability rate between 97.5 and 98.7.

The dismantling criteria of the VDI 2243 standard are followed in the design of the trains. Due to the maintainability criteria established for CAF products, the components of the vehicles are easy to replace and dismantle, in most cases using screw connections.

CAF also creates recycling/end-of-life manuals for customers on request. The purpose of the recycling or end-of-life manual is to provide instructions on how to proceed at the end of the vehicle's life and of the materials used in its operation and maintenance (consumables, spare parts, etc.). The manual includes instructions for the proper dismantling of every part of each item, in line with the steps described in ISO 22628, the dismantling criteria of the VDI 2243 standard, and the appropriate end-of-life management applicable for the composition.

Each dismantled part that cannot be reused is identified with a waste code in accordance with the European Directive 2000/532/CE European Waste Catalogue (Order MAM/304/2002), proposing the appropriate end-of-life management for its disposal according to its composition (in accordance with European Commission Decision 96/350/CE). In order of preference, this end-of-life management can take the following form: a particular known and applicable recycling process, energy recovery, or final disposal in a landfill or with an authorised manager.

With regard to buses, Solaris guarantees the recyclability of vehicle components by labelling the parts made of metals, plastics and elastomers in accordance with VDA 260 Components of motor vehicles: Labelling of material. The requirements of the VDA 260 standard have been incorporated into corporate regulations and suppliers are required to comply. The labelling of materials as required by the above standard permits their correct recycling at the end of the vehicle's life.

In the field of battery recycling, the CAF Group has signed an agreement with a partner that has the corresponding authorisations and expertise to manage battery and accumulator waste and carries out the entire recycling process in accordance with ISO 9001 and ISO 14001 (quality and environmental management standards, respectively) and the Batteries and Accumulators Act of 29 April 2009.

Processing batteries according to applicable standards permits the recover of metals (aluminium, zinc, cadmium, cobalt, lithium, copper, nickel, lead, manganese, brass, mercury, etc.), plastics and paper for the production of refuse-derived fuel (RDF). These materials can be reused in many industrial production processes, saving natural resources, fossil fuels, energy and water.

The second life of batteries used in vehicles is also take into account. For example, Solaris is currently implementing a second-life project with an energy holding company that will use the batteries previously installed in the Urbino electric buses.

Reduction of noise and vibrations

Apart from the effects on humans, noise can also influence nature, altering the habitat of animals and ecosystems.

The noise is mainly generated by the equipment, rolling and friction with the wind.

CAF has a noise and vibration unit dedicated to reducing interior and exterior noise levels, as well as the transmission of vibrations from its vehicles to the ground. This unit is involved in a project from the outset to achieve an optimal design that complies with regulatory and contractual requirements while improving the noise and vibration aspects of CAF's product portfolio. The CAF's technical team has developed the knowledge, tools and methodologies for predicting the noise levels of the different vehicle solutions.

To reduce both interior and exterior noise levels, CAF's technical team examines the causes (through preliminary calculations and tests, studies on wheel-rail contact and interaction, etc.) and adopts the most effective mitigation measures: use of insulating and absorbing materials, construction solutions for the different components of the train, optimised rolling profile, optimised aerodynamic shapes, variable speed fans, etc. Specifically, two tools have been developed to minimise the rolling noise generated by trains and the vibrations they transmit to the environment: CRoNoS and DARDAR. The CRoNoS tool has become an international benchmark. CAF makes similar continuous improvements to the other prediction tools and methodologies it uses, such as the modelling of public address systems to guarantee the effective transmission of messages, especially for people with hearing impairment.

Besides, once the trains have been manufactured they are subjected to noise tests while stationary and on the track to demonstrate compliance with contractual and regulatory requirements.

Buses undergo a "1 million kilometre test", i.e. the road endurance test that is carried out for each prototype and for each model design modification. The test is carried out under extremely harsh conditions on different types of road surfaces to refine the vehicle design and meet the expectations of both the Company and its customers. The monitoring and optimisations carried out in these tests also serve to improve the driving dynamics of the vehicle and minimise the noise and vibrations. The main measures adopted between 2019 and 2021 to improve the noise levels of electric buses affected the cooling system and the battery thermal management system.

These tests also revealed that zero-emission buses equipped with an electric motor generate significantly less noise than their conventional counterparts.

Sustainable solutions

The CAF Group offers fully customised vehicles to transport operators keen to transition to zero- and low-emission mobility. There is no single answer to the challenges of public transport in the future. The zero-emission portfolio includes electric vehicles and vehicles powered by hydrogen. These vehicles successfully meet the diverse needs of transport operators, passengers and drivers.

The key solutions in the CAF Group's sustainable product portfolio are described below:

ZERO EMISSIONS

Urbos tram: CAF's Urbos trams are electrically powered trams that can be fitted with an EVODRIVE or FREEDRIVE storage system (ultra-capacity and/or batteries) that allows them to operate without an external power supply (catenary) and recover part of the braking energy that is not absorbed by the catenary itself.

Urbos

Inneo metro: CAF's metros are electric and have been adopted in Europe's main cities (London, Amsterdam, Brussels, Rome, Madrid, Barcelona, etc.) due to their competitive values in terms of capacity, consumption and reliability.

Inneo

Civity regional trains: Civity mainline trains are among the most efficient on the market. As with the other platforms, CAF has reduced the weight of these trains, optimised the efficiency of their equipment and simplified the architecture to minimise consumption. The most sustainable (zero emissions) Civity trains include electric, battery-electric and hydrogen (under development) traction chains. In June 2021 CAF was awarded the world's largest supply contract for battery-powered electric trains to deliver 60 units to the German transport authorities ZV VRR (Zweckverband Verkehrsverbund Rhein-Ruhr) and NWL (Zweckverband Nahverkehr Westfalen-Lippe). The Group will also begin the on-track tests of the hydrogen train prototype in mid-2022.

Civity

Urbino Electric: This exceptionally quiet, zero-emission vehicle has a modern design and low operating costs. Thanks to their innovative technical solutions, these electric buses can run for an unlimited time (up to 24 hours a day). Furthermore, their low noise and vibration levels make battery-powered buses particularly suitable for use in city centres. The Solaris Urbino Electric was named "Bus of the Year 2017". The vehicle is available in low-floor and low-entry versions.

U Electric

Urbino Hydrogen: The hydrogen technology used for power generation allows hydrogen buses to travel even longer distances without emissions than electric models. Hydrogen-fuelled buses will form a complementary zero-emission family of buses that will enable Solaris to meet contemporary challenges and diverse customer needs regarding vehicle range, flexibility and operability.

U Hydrogen

Solaris Urbino Hydrogen buses use hydrogen fuel cells. The hydrogen is stored in gaseous form in new-generation tanks and converted into electricity which directly powers the bus driveline, consisting of an axle with electric motors. The bus is also equipped with a battery that acts as an additional storage facility for electrical energy. The only by-products generated during the operation of Solaris Urbino Hydrogen are heat and steam. These vehicles therefore do not generate any type of harmful substance.

Trollino: The stand-out feature of these vehicles is their quiet, zero-emission operation. In addition to trolleybuses that work exclusively with an external power supply, Solaris offers hybrid trolleybuses equipped with accumulation equipment and fuel cells that work beyond the traction lines.

Trollino

LOW EMISSIONS

Urbino Hybrid: Solaris Urbino hybrids are equipped with a driveline consisting of one or more electric motors and a conventional transmission system. The energy storage unit in Urbino hybrids can be either through batteries or supercapacitors. This solution reduces fuel consumption by between 20% and 30% on average, compared to a vehicle that runs on diesel. Solaris hybrid buses can also be adapted to cover a certain distance completely emission-free.

U Hybrid

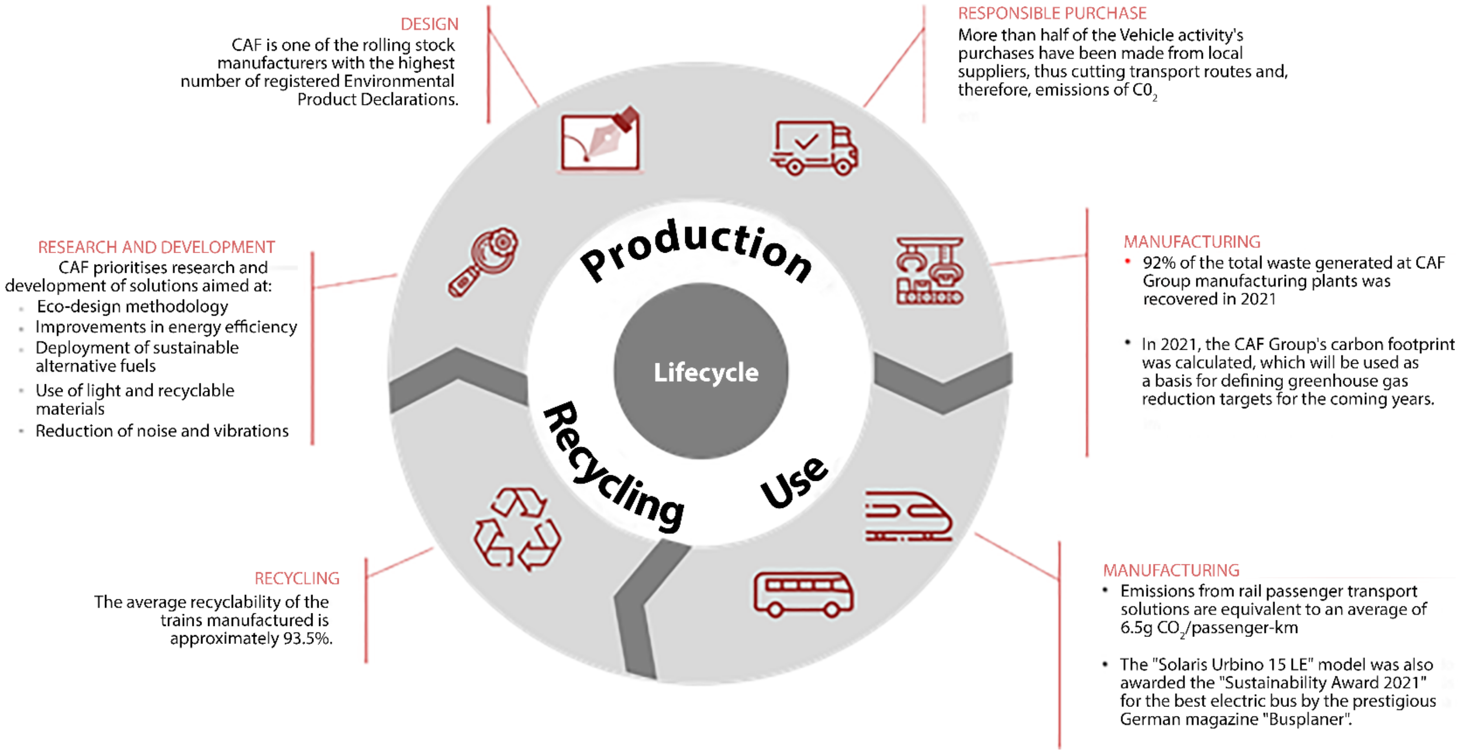
CNG Urbino: Urbino low-floor urban buses are also supplied in the form of vehicles with compressed natural gas (CNG) propulsion. This solution has made it possible to significantly reduce the emission of harmful substances and provide more eco-friendly transport.

U CNG

5.4 Circular economy and sustainable use of resources

[MA 301, 301-1, MA 302, 302-1, MA 303, 303-1, 303-2, 303-3, MA 306, 306-1, 306-2, 306-3, 306-4, 306-5]

CAF is aware that its industrial activities have an impact on the natural environment and it therefore incorporates the life cycle approach into its management as a pillar of sustainability. As shown in the image below, the phases that make up this cycle are research and development, design, responsible purchasing, manufacturing, use and, lastly, recycling of the product. This approach demonstrates CAF's support for the transition to an efficient economy in the use of resources[66].



Consumption of natural resources

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. Of these, metals represent the highest consumption since they are non-renewable materials. This is particularly the case of the steel and aluminium profiles and sheets and steel ingots used to manufacture rail vehicles and buses.

Raw materials (t)	2021	2020	2019
Steel and aluminium profiles and sheets	15,605	14,756	19,211[67]
Steel ingots	46,014	47,964	57,086
Other[68]	994	1014	960

[66] Icons made by "Freepik", "Mavadee", "Eucalyp" and "Alfredo Hernandez" from Flaticon.
[67] The 2019 data correspond to the main train and bus manufacturing centres.
[68] Wood consumption for floors and adhesives (Bus)

Apart from the acquisition of these materials, CAF, S.A. includes in its technical processes materials that contribute to environmental Sustainability. For example, recycled steel is used for manufacturing wheels and axles.

The recyclability of products is also analysed in accordance with the ISO 22628 standard. The average recyclability of the vehicles manufactured by CAF, S.A. is around 93.5%[69].

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 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.

Water and effluents

The water used by CAF in the manufacturing process is used mainly to cool equipment and facilities to ensure the airtightness of the trains, using for such purpose mains water and river water in line with local limitations and limiting the consumption of river water to use in closed circuits.

The Group is aware that water is a scarce natural resource that should be preserved and it has therefore carried out a series of actions to encourage a more sustainable use of water. The most notable of these actions 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 by implementing procedures defined according to the particular government authorisations and permits; avoiding the collection of water in areas with water stress; and, lastly, checking leaks and the airtightness of facilities to reduce consumption and impact.

Aimed at encouraging the sustainable use of water by suppliers, the ECOVADIS tool evaluates the Group's key suppliers and the measures they implement in relation to water management. The tool also analyses the suppliers that have a potentially significant impact on water, such as suppliers of batteries and tyres.

Water consumption (ML)	2021	2020	2019
Third party consumption[70]	86.75	76.94	93.17
Surface water consumption	45.58	30.33[71]	54.12

All the water used by the Group is water with a concentration of dissolved solids ≤ 1000 mg/l and 99% of the water used is from areas without water stress.

With regard to discharges, CAF has the corresponding authorisations for discharges to collectors or riverbeds, as appropriate. It also reviews and monitors the parameters of the discharged water, defining improvement objectives. The offices have fluid communication with the authorities that manage the discharged water in each location.

[69] Average of the calculations made in the Life Cycle Analyses that have been carried out by the organisation, both in projects and rolling stock offers.
[70] This includes CAF Group and CAF PA manufacturing plants.
[71] 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.

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 2021, 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. In 2021 informative actions were carried out to provide the entire workforce of the parent company with good practice guidelines on energy saving and efficiency and the efficient and sustainable use of transport.

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 2021 the headquarters located in Beasain enabled the generation of renewable energy equalling 7% 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 the Group's parent company continued to contract a 100% renewable electrical energy source with a guarantee of origin, which represents 63% of the Group's electrical energy consumption.

Direct and indirect energy consumption (MWh)	2021	2020	2019
Natural gas [72]	121,715	106,099	129,302
Diesel [73]	593	347	306
LPG and Petrol [74]	2,410	-	-
Electricity	55,624	52,433	59,339
Thermal energy	5,049	3,645	4,077

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, in 2021, 92% of the total hazardous and non-hazardous waste generated was recovered. 3) promotion of awareness-raising campaigns on waste separation and

[72] The consumption of natural gas to heat the facilities represents approximately 21% of the total consumption
[73] Consumption relating to transportation equipment at the factory.
[74] In view of more detailed calculations of the carbon footprint, in 2021 the Group started monitoring new fuels: LPG and Petrol.

minimisation; and 4) proper waste processing and management, using waste managers close to the facilities.

In 2021 a new development related to the railway activity was the switch to a local supplier of adhesives aimed at reducing stocks and expired adhesives. This led to an improvement of at least 40% in the indicator that monitors the expired products generated in the purchasing process for railway activities[75].

The management carried out for each type of waste during 2021 is detailed below:

Waste for recovery(t)	2021[76]				2020	2019
	Reuse	Recycling	Other operations	TOTAL		
Non-hazardous waste	**909**	**10,549**	**1,115**	**12,573[77]**	**7,520**	**7,749**
Packaging waste (wood, paper, cardboard and plastic)	909	4,056	654		-	-
Metal waste	0	6,211	320		-	-
Other	0	282	141		-	-
Dangerous residues	**20.46**	**102.2**	**166.5**	**289.16**	**723**	**660**
Paint residue	4	0.5	99		-	-
Oily residues	0.06	3	26		-	-
Packaging waste	14	0.7	27		-	-
Batteries and batteries	2	85	0.5		-	-
Other	0.4	13	14		-	-

Waste destined for disposal (t)	2021				2020	2019
	Incineration	Landfill	Other operations	TOTAL		
Non-hazardous waste	**87**	**577**	**709**	**1373**	**1,084**	**1,474**
Packaging waste (wood, paper, cardboard and plastic)	61	224	0		-	-
Metal waste	0	20	0		-	-
Other	26	333	709		-	-
Dangerous residues	**197.3**	**95**	**418.1**	**710.4**	**394**	**566**
Paint residue	65	57	103		-	-
Oily residues	0.3	0	235		-	-
Packaging waste	5	3	21		-	-
Batteries and batteries	0	0	0.1		-	-
Other	127	35	59		-	-

[75] Excluding expired products managed in the parent company, arising from an extraordinary cleaning in January 2021.
[76] Manufacturing plants of the Group, CAF PA and CAF TE are included.
[77] During 2021, the control and monitoring of metal waste in the parent company has been improved through implementing an integrated scrap control system.

6 THE SOCIAL VALUE OF OUR ACTIVITY

"CAF is committed to the socially and environmentally sustainable development of the communities in which it operates, through the reduction of the environmental impact of its operations and products/services and the promotion of activities that contribute to economic development, the generation of knowledge, the promotion of education, and social and cultural promotion "

CAF Sustainability Policy
17 December 2020

CAF is aware that its activities have a direct and indirect impact on the development of the local communities where it operates and on the well-being of society at large, through sustainable and environmentally friendly mobility solutions, as indicated throughout the report.

As established in its Sustainability Policy, the CAF Group is committed to the socially and environmentally sustainable development of the communities in which it operates, by reducing the environmental impact of its operations and the products/services it offers, and by promoting activities that contribute to economic development, knowledge generation, education and social and cultural promotion.

During 2021, the Manual for the development of social commitments was drawn up with the aim of defining the areas of contribution of CAF's social commitments with the Society interest group, as well as to ensure that CAF's collaboration activities that impact local communities in the area of social commitments are in accordance with the provisions of the Code of Conduct, Sustainability Policy, as well as with the measures set out in the Crime Prevention Manual.

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.

These risks are covered by the corporate risk control and management system described in Chapter 2 which includes a series of activities aimed exclusively at managing such risks. This process meets the risk and opportunity analysis of the frame of reference.

6.1 Economic promotion of the community

[102-13, MA 203, 203-2, MA 413]

There is a commitment to the local economy on three basic levels: the creation and maintenance of local employment, the contribution to the industrial transformation and competitiveness of the territory and the promotion of new business models.

Creation and maintenance of local employment

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 over the last four financial years more than 90% of the workers were local[78], working under general conditions aligned with the Remuneration and Labour Relations Policies applicable at the Group companies. Along these lines, the CAF Group also guarantees equal conditions in starting salaries for men and women, through the application of the Remuneration and Labour Relations Policies in the Group's companies. For more details, see chapter "*4. The excellence of our team*".

"More than **90%** of workers are local"

In relation to the creation and conservation of indirect employment, it should be noted that in 2021 the proportion of spending on local suppliers amounted to 61%[79] (in 2010, 65% and in 2019, 58%.). Likewise, CAF, through its purchasing process, contributes to ensuring that these suppliers respect the ethical principles set out in the Code of Conduct and the Supplier Code of Conduct, as well as reducing transport routes and, therefore, CO_2 emissions, helping to reduce the carbon footprint

[78] Including available data relating to the Group's employees, understanding local to mean located in the same country of birth.

[79] Including the data relating to expenditure made at the Group's significant establishments, which represent 90% of CAF's workforce. A supplier is considered local when it is located in the same country as the significant activity that procures its services.

linked to its activity. For more details, please refer to the chapter "*3.4. Responsible and Sustainable Supply Chain*".

Industrial transformation and territorial competitiveness

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.

Among these initiatives, it is worth highlighting the collaboration at regional level that began more than 10 years ago and which has led to the creation of Goierri Valley and CAF's participation in the project as a trailblazing company and member of the committee of driving companies. Created in 2017 with the vision of being the driving force behind the industrial transformation of the Goierri region, its aim is to promote the development of industry in the Goierri region by encouraging collaboration between companies and other public agents in areas that affect their competitiveness (diversification of markets and products, innovation and training).

With regard to the activity carried out by CAF in the different challenges set for 2021, the following stand out:

- Challenge 1 Intercooperation network: CAF has participated in several of the Value Share project sessions. The objective of these sessions is to transfer the knowledge and future strategies of trailblazing companies to SMEs in order to identify opportunities for collaboration.

- Challenge 2 Collaboration Network: CAF is participating in the various forums organised by the Association (Driver Committee, Driver Forums, Multilevel Forums), sharing experiences and needs, to collaborate in solving common problems detected.

- Challenge 3 Strengthening SMEs: within the framework of this last challenge, we have participated in the activities aligned with the region's Smart Mobility strategy.

In addition, CAF has participated in the reflection process on the Governance Model for the future of the Goierri region, an initiative led by the Goieki development agency and piloted by the Lehendakari Agirre centre.

CAF continues to participate in the activities of economic entities with business or sectoral relevance to a different extent. The following are some of the entities in which it has participated throughout 2021.

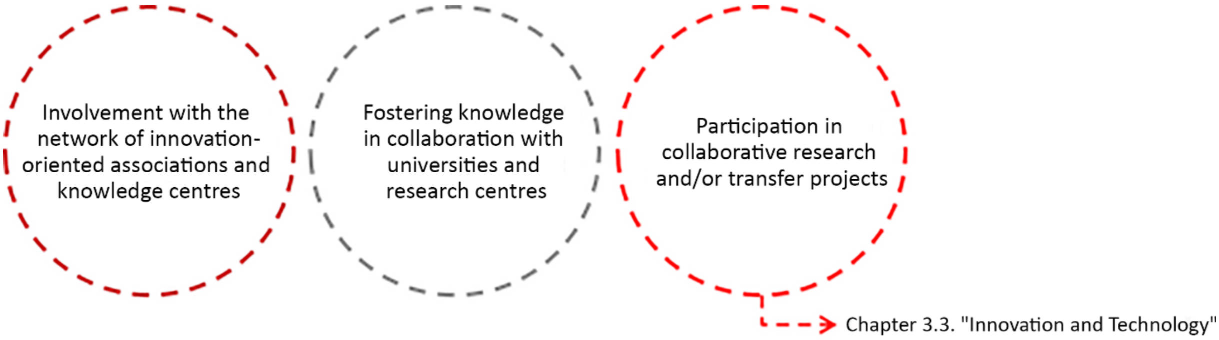
Gipuzkoa Business Association (ADEGI)	New Economy Forum
Spanish Confederation of Business Organisations	Chamber of Commerce
Entrepreneurs' Circle	MAFEX Spanish Railway Association
Exporters club	Union Internationale des Transports Publics - UITP
Asociación Progreso Dirección (APD)	European Railway Industry - UNIFE
Federation of Metal Companies of Zaragoza	Railway Industry Cooperation Forum (JBS)

In these entities, CAF has the vocation both to represent the company's interests and to contribute from its position and to draw attention to aspects that may be of general interest.

6.2 Knowledge generation

[102-13, MA 203, 203-2, MA 413]

In addition to participation in collaborative research and/or transfer projects, as described in section 3.3. Innovation, as in previous years, CAF continues to collaborate in generating knowledge in its operating environment through participation in the network of innovation-oriented associations and knowledge centres, as well as the promotion of knowledge in collaboration with universities. Below is a list of some of the activities in this area.



Involvement with the network of innovation-oriented associations and knowledge centres

Shift2Rail

Shift2Rail is the first European rail initiative to undertake R&D activities and market-oriented solutions by accelerating the integration of advanced technologies into innovative rail products.

CAF is a founding member of Shif2Rail and sits on the board of directors.

EU-Rail

EU-Rail is the new European partnership in rail research and innovation established under the Horizon Europe programme (2020-2027) and successor to Shift2Rail. This partnership aims to accelerate research and development of innovative technologies and operational solutions.

CAF is a founding member of EU-Rail and sits on the board of directors.

European Rail Research Advisory Council (ERRAC)

ERRAC is the European technology platform for the rail sector. The European Commission participates in this platform, along with the Member States, the European Railway Agency (ERA) and all relevant actors in the railway sector, including industry, operators, infrastructure managers, technology centres and universities. ERRAC's main objective is to provide the European institutions with a common vision to guide R&D in the railway sector.

CAF actively participates in ERRAC working groups and is also a member of the initiative's steering committee.

UNIFE

The UNIFE association represents European train manufacturers and railway equipment suppliers. The association advocates on behalf of more than 100 of Europe's leading rail supply companies, from SMEs to large enterprises, active in the design, manufacture, maintenance and renewal of rail transport systems, subsystems and related equipment. UNIFE also brings together national railway industry associations from 11 European countries.

CAF is a member of the Research and Development Group and the UNIFE Standards Regulation Group.

UITP

UITP (Union Internationale des Transports Publics) is the International Association of Public Transport promoting sustainable urban mobility. Founded in 1885, with more than 135 years of history, it is the only global network that brings together all public transport actors and all modes of sustainable transport.

CAF is a member of the R&D-oriented Mobility Innovation Committee and the standardisation-oriented Urban Rail Platform.

UNISIG

Under the umbrella of UNIFE, a recognised stakeholder, UNISIG actively contributes to the activities of the European Union Railway Agency in the field of ERTMS/ETCS technical specifications. UNISIG is composed of nine UNIFE member companies, one of which is CAF.

ECSEL

ECSEL brings together stakeholders from the EU public sector, industry and academic institutions. It supports research, development and innovation in essential applications in electronics. CAF is a member of this EU Joint Undertaking.

VDV

About 600 companies operating public passenger and rail freight transport in Germany are organised in the "Verband Deutscher Verkehrsunternehmen" (VDV = Association of German Transport Companies). The VDV advises and supports its member companies and politicians, supports the exchange of experience and knowledge between members and prepares technical, operational, legal and economic principles.

Solaris is a member of this association.

MAFEX

Mafex, the Spanish Railway Association, is the association that represents the Spanish railway industry and serves this industry by helping companies in their internationalisation processes, as well as by defending the general interests of the associated companies in order to achieve, in cooperation, the highest possible level of competitiveness for them.

CAF is a member of the General Assembly and the Innovation Committee.

RIH Railway Innovation Hub

Railway Innovation Centre with the mission of promoting technology and knowledge in the rail sector at an international level, through generating collaborative R&D projects, commercialising technology and know-how, promoting entrepreneurship and providing specialised services.

CAF is a member of the association.

Information Technology for Public Transport (ITxPT)

The non-profit ITxPT partnership enables open architecture, data accessibility and interoperability between IT systems. ITxPT members develop together IT architecture for public transport and other mobility services, based on standards and best practices.

Solaris is a member of the association.

Hydrogen Europe (NEW – IG)

Leading association representing European industry, national associations and research centres active in the hydrogen and fuel cell sector, who work to accelerate the market introduction of this clean technology in the energy and transport sectors.

Solaris is a member of this association.

European Clean Hydrogen Alliance

This alliance aims for an ambitious deployment of hydrogen technologies by 2030, bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. With the partnership, the EU aims to consolidate its global leadership in this area, in support of the EU's commitment to achieve carbon neutrality by 2050.

CAF Group has joined this alliance.

BH2C: Basque Hydrogen Corridor

Association with the aim of advancing in the decarbonisation of the energy, industrial, residential and mobility sectors through the generation of a hydrogen ecosystem in the Basque Country based on specific projects and actions, with a public-private collaboration strategy.

CAF Group is a member of this association.

CEIT

CAF collaborates with this technology centre, engaged in research applied to the service of industry. CAF is a member of CEIT's Board of Trustees and participates in its governing bodies as a member of its Strategic Council.

CiC Nanogune

CAF collaborates with CiC Nanogune, a centre for research excellence in nanoscience and nanotechnology, by serving as a member of its board of directors.

Lortek

Lortek is an innovative research centre with a strong expertise in joining technologies. CAF collaborates with Lortek as a member of its Board of Trustees and participates in its governing bodies as a member of its Governing Council.

Tecnalia

CAF is a collaborating partner of the TECNALIA RESEARCH & INNOVATION foundation, an extensive technology centre with a multidisciplinary orientation, and is also a member of its board of trustees and a member of its executive committee.

Foundation for the development of new Hydrogen Technologies in Aragon

Foundation promoting the development of new Hydrogen Technologies and as such, organises, manages and executes all types of actions related to hydrogen as an energy vector, with the aim of generating, storing and transporting hydrogen for its use in fuel cells, transport applications or distributed energy generation.

CAF is a member of the Board of Trustees.

Donostia International Physics Center

CAF collaborates with this centre whose objective is scientific research in the field of basic and applied physics in areas of interest for Basque society and for international scientific development.

CAF is a founding member of the Board of Trustees.

Ikerlan

Ikerlan is a leading knowledge transfer centre specialising in electronics, information and communication technologies; energy and power electronics and advanced manufacturing. CAF collaborates with Ikerlan in R&D projects and in identifying interesting strategic lines of research.

PTNSS

The main objective of the Polish Combustion Engine Scientific Society (PTNSS) is the promotion and development of scientific and technical activity in the field of combustion engines.

Solaris is a member of the association.

AENOR/UNE

The Spanish Association for Standardisation and Certification (AENOR) is an organisation engaged in developing standardisation and certification in all industrial and service sectors.

CAF is well represented in this key standard-setting body.

CEN/CENELEC/IEC

European (CEN, CENELEC) and International (IEC) Standardisation Organisations.

CAF has representatives in 29 working groups.

PKN

The Polish Committee for Standardisation (Polski Komitet Normalizacyjny - PKN) is a national standardisation body responsible for the organisation of standardisation activities.

Solaris is a member of Technical Committee 17 on Vehicles and Road Transport.

Research and innovation committees

CAF is 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.

Cybersecurity Forums

CAF collaborates in various national and international forums related to cybersecurity. CAF is integrated in CENELEC WG23 for the creation of TS50701, a specific European standard for cybersecurity in the rail sector. It also participates in the UNIFE Cybersecurity Subgroup and in the National Rail Sector Cybersecurity Working Group coordinated by INCIBE, in which RENFE and ADIF also participate.

Promotion of knowledge in collaboration with universities

Tecnun Classroom - CAF
CAF has collaborated with the Tecnun School of Engineering continually for decades. Such collaboration has taken the form of activities such as undertaking collaborative research projects, the joint organisation of courses and seminars, and teaching tasks. On this last point, the permanent presence of CAF engineers on the teaching staff of Tecnun is noteworthy.
CAF Classroom - Mondragon Unibertsitatea (MU)
CAF has had a collaboration agreement with the Higher Polytechnic School of Mondragón for several years, which takes the form of a Collaborative Research and Transfer Programme. This framework includes collaboration in the design of teaching programmes (participation in teaching and evaluation), definition of projects or design of in-company experiences. The aim of this is to ensure that there are relevant studies aligned with the real needs of society that enhance students' knowledge and professional skills and ultimately promote knowledge transfer. The Classroom has adequate space and equipment to carry out these functions.
Boards of Cooperative Educational Services of New York
In the United States, CAF USA works with the Boards of Cooperative Educational Services of New York to identify and develop the evolving training and skills needs of professionals.
AGH University of Science and Technology in Krakow
Also, of note in Poland is the doctoral thesis programme implemented by Solaris together with AGH University of Science and Technology in Krakow. The aim of this programme 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.
Poznań University of Technology (Politechnika Poznańska)
Solaris collaborates with the Poznań University of Technology on key projects such as the ADAS project for the development of driver assistance systems. This collaboration also extends to student internships at Solaris.

6.3 Collaboration in the educational field

[102-13, MA 203, 203-2, MA 413]

CAF remains committed to training future professionals and with this in mind establishes a number of agreements to collaborate with educational institutions or entities that foster youth employment in the area in which it operates.

Educational entities or entities for the promotion of employment

National

- Alecop
- University of Zaragoza Business Foundation
- Novia Salcedo Foundation
- Urola Garaia Vocational Training Centre (UGLE)
- Meka Vocational Training Centre
- Don Bosko lanbide eskola
- Goierri Eskola
- Universidad San Jorge
- National Institute for Stock Exchange Studies
- Carlos III University
- CEU University
- Complutense University
- University of Deusto
- University of Mondragon
- University of Navarra (Tecnun)
- University of Zaragoza
- CEPYME Aragón
- Lacor training
- University of the Basque Country
- National University of Distance Education (UNED)
- Polytechnic University of Madrid
- Comillas Pontifical University
- Public University of Navarra (UPNA)
- University of Almeria
- University of Lleida
- University of Oviedo

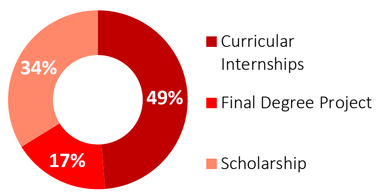
international

- Myerscough College
- University of Sao Paulo
- Mackenzie Presbyterian University
- Edison Institute
- CSS Workforce NY
- Technological Institute of Tláhuac
- Technological Institute of Higher Studies of Cuautitlán
- ISEC Business University
- Technical University of Poznań
- Telecommunication School Complex in Poznań
- Vocational School in Murowana Goślina and Swarzędz
- Vocational School in Środa Wielkopolska
- Automotive School Complex in Poznań
- Automotive School Complex in Poznań
- Higher Vocational Education Stockholm
- Skåne Municipality

These collaboration agreements can provide access to training programmes for CAF employees, but their main objective is to offer opportunities for transition between education and the world of work through placements at the various CAF Group sites both locally and internationally.

With this objective, the CAF Group encourages managing placements to facilitate completing studies through curricular internships, undertaking final projects for university degrees and master's degrees, as well as scholarships for postgraduates, providing students with their first work experience complemented by training. More than 500 placements have been offered this year. To carry out this activity, both the parent company and some of the Group's subsidiaries collaborate with the Novia Salcedo Foundation with the aim of accompanying young people in their professional integration from a vocation of anticipation and collaboration.

"More than 500 company placements"



Internationalisation Scholarship Programmes

CAF is clearly committed to internationalisation and is aware of the need for people with an international profile. It is considered important to promote this profile in society and, to this end, CAF collaborates annually with the Basque Government in the Global Training scholarships. This programme provides young people with university degrees and higher vocational training with a powerful mechanism that allows them to carry out paid internships in companies and organisations abroad, in activities and projects related to their academic and professional profile for at least six months.

In 2021, international activities promoting scholarships for graduates at CAF Group headquarters have been undertaken in countries such as the Netherlands, Norway, Sweden, Germany and Hungary.

European initiatives coordinated by UNIFE

Similarly, CAF’s participation in two European initiatives coordinated by UNIFE in 2021 must be highlighted.

The first of these is called "Hop-on for the Planet", promoted by Europe's main train suppliers, which began in 2020 and ended in 2021. The balance is positive, as it has allowed us to make the sector visible and raise awareness of our industry and its relationship with the promotion of sustainability and technological development, providing a great opportunity for people with STEM training who are looking for innovative jobs that contribute to the decarbonisation of transport. In particular, in 2021, a day organised around the professional opportunities in our sector, promoted by a benchmark organisation in the scientific-technological field was noteworthy.

HOP-ON FOR OUR PLANET!

CAF also continues to participate 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. This has been endorsed by the European Commission defining 2021 as the European Year of Railways. The industry is currently suffering from a considerable lack of expertise, as a large part of its workforce will retire over 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. "Staffer" 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. In 2021, progress has been made in identifying the professional competences most in demand in the future in the sector and the definition of professional profiles.

STAFFER
EUROPEAN RAIL SKILLS ALLIANCE

6.4 Collaboration with social and/or cultural initiatives

[102-13, MA 203, 203-2, MA 413]

In addition to the various initiatives mentioned above, 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.

Below are some of the institutions with which CAF has actively collaborated throughout 2021, contributing to its development.

Collaboration in social activities

SuEskola Foundation

CAF collaborates with this foundation, which is a training centre for fire prevention and extinguishing, using innovative technology with real fire.

Green Dachshund Foundation

Foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable. It aims to help people and animals in need close to the company, implementing aid programmes for children and young people, spreading the culture of animal protection and popularising the volunteer service by involving employees and external stakeholders.

Traffic Calendar

Euromaint cooperates with the publishing house Vita Huset AB in the development of the most extensive traffic education material for children. The traffic calendar aims to inspire schools to work on traffic issues as part of learning about sustainable development. Road safety, health and environmental issues are elements that run throughout the material.

Promotion of culture and linguistics

Bikain Certification

Promoting the use of the Basque language in the Beasain and Irun work centres, standing out by obtaining Bikain certification in the Silver category. This recognition is a certificate of quality in the linguistic management of Basque in the professional environment.

CAF Award - Elhuyar

Each year CAF, together with the Elhuyar Foundation, awards the CAF-Elhuyar Prize for the promotion of scientific culture in Basque. The aim of these awards is to promote, reward and recognise the dissemination of scientific and technological work carried out in Basque. In 2021, the event took place on 27 April.

Igartza Awards

Founded in 1994 by the city of Beasain, with the support of the CAF company in Beasain and with the help of the ELKAR publishing house, the aim of this initiative is to expand Basque culture and support the work of young writers, through the IGARTZA LITERATURE-CREATION SCHOLARSHIPS for new writers. Creators have been rewarded for 23 consecutive years by getting their books published.

Euskaraldia

Euskaraldia is a mass social exercise lasting fifteen days with the aim of changing oral linguistic habits and making more use of the Basque language. CAF has participated in this initiative since its launch by promoting spaces to express oneself in Basque, called "Arigunes".

The next edition will be held in 2022 and CAF took part in its presentation at the event held on 2 November in Pamplona.

7 ADDITIONAL INFORMATION

"To report information truthfully, honestly, and with absolute respect for people's integrity and honour, always ensuring the use of clear, responsible language that helps Stakeholders make an informed decision".

CAF Sustainability Policy
17 December 2020

7.1 About this report

[102-50, 102-52, 102-53, 102-54]

CAF's Sustainability Report is one of the main communication tools in this area and in the relationship with its Stakeholders.

Scope

This report, which covers the period from 1 January to 31 December 2021, is the sixth annual Sustainability Report published by CAF.

The information provided therein covers CAF's activities at Group level. In cases of limitations in scope, coverage or other aspects of the information, appropriate specifications have been made in the chapter itself or in the GRI Content Index. The reasons for omission in these cases have been that the content is not appropriate, as it is not considered material, confidentiality or the data is not currently of sufficient quality to be included in the report, in which case work is being done to improve it.

This report also draws on other reports to report more specifically on certain matters, such as CAF's Consolidated Financial Statements for the year ended 31 December 2021, in this case to reinforce the information in the economic area; or the Annual Corporate Governance Report 2021 to reinforce those issues related to CAF's Corporate Governance Model.

International standards used in preparing this Report

This report has been prepared with reference to the international standards of the Global Reporting Initiative (GRI) in the selected GRI option.

Relevant aspects and participation of stakeholders

CAF maintains an active dialogue with all its stakeholders to identify and respond to issues that are of interest to them. In this regard, the materiality analysis carried out to identify the most relevant aspects to be addressed has been taken into account in preparing this report.

For any clarification, doubt or suggestion related to the report or the subjects included in it, please contact:

esg@caf.net

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[80] This content is not material in relation to the CAF Group's business activity, as concluded from the 2021 materiality analysis.
[81] 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.

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(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.*

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GRI 102-17	Mechanisms for advice and concerns about ethics	2.1 Good Governance System	23 – 33
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		3.4 Responsible and sustainable supply chain	70
		7.1 About this report	130
		Annual Corporate Governance Report 2021	Section F.1.2.
GOVERNANCE			
GRI 102-18	Governance structure	Annual Corporate Governance Report 2021	Section C

GRI 102-22	Composition of the highest governing body and its committees	2021 Annual Corporate Governance Report	Section C
		2.1 Good Governance System	28 – 33
GRI 102-23	Chair of the highest governing body	2021 Annual Corporate Governance Report	Section C
GRI 102-24	Nominating and selecting the highest governing body	2.1 Good Governance System	28 – 33
		Annual Corporate Governance Report 2021	Sections C.1.5, C.1.6, C.1.7, C.1.12 and C.1.19
GRI 102-25	Conflicts of interest	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	43
		Annual Corporate Governance Report 2021	Sections C.1.5, C.1.6, C.1.7, C.1.19 and D.6
		Code of Conduct	Corporate website
		Corporate procedure for handling complaints and internal investigations by the Compliance Committee	Corporate website
GRI 102-26	Role of the highest governance body in the selection of objectives, values and strategy	2.1 Good Governance System	28
GRI 102-28	Performance evaluation of the highest governance body	2.1 Good Governance System	30 – 31
		Annual Corporate Governance Report 2021	C.1.17
GRI 102-29	Identification and management of economic, environmental and social impacts	Annual Corporate Governance Report 2021	Sections E.5 and E.6.
		Consolidated Group Management Report for 2021	Main risks and uncertainties
GRI 102-30	Effectiveness of risk management processes	2.1 Good Governance System	32
		2.2 Risk management	34
		Annual Corporate Governance Report 2021	Sections E.5 and E.6.
GRI 102-31	Assessment of economic, environmental and social issues	Annual Corporate Governance Report 2021	Sections E.5 and E.6.
		Consolidated Group Management Report for 2021	Main risks and uncertainties
		General Risk Management and Control Policy	Sections 3, 4, 5 and 7
GRI 102-32	Role of the highest governance body in the preparation of the sustainability report	1.1 CAF's Overall Vision and Sustainability	8
		2.1 Good Governance System	31
GRI 102-33	Communication of critical concerns	2.1 Good Governance System	31
GRI 102-35	Remuneration policies	2.1 Good Governance System	30
		Remuneration Policy for the Directors of "Construcciones y Auxiliar De Ferrocarriles, S.A."	Corporate website
		Annual Corporate Governance Report 2021	Sections C.1.13, C.1.14 and C.2.1.
		Annual Report on the Remuneration of Directors of Listed Companies 2021	Corporate website
GRI 102-36	Process for determining remuneration	2.1 Good Governance System	30
		Annual Corporate Governance Report 2021	Sections C.1.13, C.1.14 and C.2.1.
		Annual Report on the Remuneration of Directors of Listed Companies 2021	Corporate website
GRI 102-37	Stakeholder engagement in remuneration	2.1 Good Governance System	30
STAKEHOLDER ENGAGEMENT			
GRI 102-40	List of stakeholder groups	1.2 Value creation and Stakeholders	9 – 11
GRI 102-41	Collective bargaining agreements	4.1 Talent development	81 – 82
GRI 102-42	Identification and selection of stakeholders	1.2 Value creation and Stakeholders	9 – 11
GRI 102-43	Approach to Stakeholder engagement	1.2 Value creation and Stakeholders	9 – 11
GRI 102-44	Key topics and concerns raised	1.2 Value creation and Stakeholders	9 – 11
		1.3 Materiality	12 – 13
		7.1 About this report	130
REPORTING PRACTICES			

GRI 102-45	Entities included in the consolidated financial statements	Consolidated Group Financial Statements for 2021	Note 2 f) and Note 9 to the Financial Statements.
GRI 102-46	Defining report content and topic Boundaries	1.3 Materiality	12 – 13
GRI 102-47	List of material topics	1.3 Materiality	13
GRI 102-48	Restatement of information	Does not apply.	136
GRI 102-49	Changes in reporting	Does not apply.	136
GRI 102-50	Reporting period	7.1 About this report	130
GRI 102-51	Date of most recent report	Sustainability Report 2020; February 2020	136
GRI 102-52	Reporting cycle	7.1 About this report	130
GRI 102-53	Contact point for questions regarding the report	7.1 About this report	130
GRI 102-54	Statement of preparation of the report in accordance with the GRI Standards	7.1 About this report	130
GRI 102-55	GRI content index	7.3. GRI content index	135
GRI 102-56	External assurance	No external assurance has been performed beyond the Non-Financial Information Statement in accordance with Law 11/2018.	136
SPECIFIC CONTENTS			
CATEGORY: ECONOMY			
Economic performance (2016)			
GRI 103	Management Approach	1.3 Materiality + Consolidated Group Management Report 2021	13, Business performan and results
GRI 201-2	Financial implications and other risks and opportunities due to climate change	5.2 Climate strategy	101
GRI 201-3	Defined benefit plan obligations and other retirement plans	Consolidated Group Financial Statements for 2021	Note 3 (j), Note 15, Note 16 and Note 20 of the Notes to the Financial Statements.
GRI 201-4	Financial assistance received from the government	Consolidated Group Financial Statements for 2021	Note 15, Note 16 and N 22 d) to the Financial Statements.
Diversity and equal opportunities (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The salaries of all CAF employees are established in accordance with the collective bargaining agreements in force together with the remuneration regulations applicable in each of them, always being higher than the minimum established by law and guaranteeing equitable processing by setting salary conditions regardless of gender.	137
Indirect economic impacts (2016)			
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 118 – 128
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	118 – 128
Procurement practices (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 204-1	Proportion of spending on local suppliers	3.4 Responsible and sustainable supply chain	73
Anti-corruption (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 41
GRI 205-2	Communication and training about anti-corruption policies and procedures	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	40
		2021 Annual Corporate Governance Report	Section F.1.2.
GRI 205-3	Confirmed cases of corruption and measures taken	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	38
Unfair Competition (2016)			

GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13.41 – 43
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Consolidated Group Financial Statements for 2021	Note 12 a), Note 20 and Note 26 a) to the Financial Statements
Taxation (2019)			
GRI 103	Management Approach	1.3 Materiality + 2.4 Fiscal responsibility	13, 46 – 47
GRI 207-1	Tax approach	2.4 Fiscal responsibility	46
GRI 207-2	Tax governance, control and risk management	2.4 Fiscal responsibility	47
GRI 207-3	Stakeholder engagement and management of concerns related to tax	2.4 Fiscal responsibility	47
CATEGORY: ENVIRONMENT			
Materials (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 113 – 114
GRI 301-1	Materials used by weight or volume	5.4 Circular economy and sustainable use of resources	113
Energy (2016)			
GRI 103	Management Approach	1.3 Materiality. + 5.4 Circular economy and sustainable use of resources	13, 115
GRI 302-1	Energy consumption within the organisation	5.4 Circular economy and sustainable use of resources	115
Water and effluents (2018)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 114
GRI 303-1	Interactions with water as a shared resource	5.4 Circular economy and sustainable use of resources	114
GRI 303-2	Management of water discharge-related impacts	5.4 Circular economy and sustainable use of resources	114
GRI 303-3	Water extraction	5.4 Circular economy and sustainable use of resources	114
Emissions (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.3 Climate strategy	13, 102 – 103
GRI 305-1	Direct (Scope 1) GHG emissions	5.3 Climate strategy	103
GRI 305-2	Energy indirect (Scope 2) GHG emissions	5.3 Climate strategy	103
Waste (2020)			
GRI 103	Management Approach	1.3 Materiality + 5.4 Circular economy and sustainable use of resources	13, 115 – 116
GRI 306-1	Waste generation and significant waste related impacts	5.4 Circular economy and sustainable use of resources	116
GRI 306-2	Management of significant waste-related impacts	5.4 Circular economy and sustainable use of resources	116
GRI 306-3	Waste generated	5.4 Circular economy and sustainable use of resources	116
GRI 306-4	Wastes not destined for disposal	5.4 Circular economy and sustainable use of resources	116
GRI 306-5	Waste destined for disposal	5.4 Circular economy and sustainable use of resources	116
Environmental Compliance (2016)			
GRI 103	Management Approach	1.3 Materiality + 5.1 Environmental management	13, 100
GRI 307-1	Non-compliance with environmental legislation and regulations	5.1 Environmental management	100
		Consolidated Group Financial Statements for 2021	Note 2 h) and Note 22 c) to the Financial Statements
Environmental assessment of suppliers (2016)			
GRI 103	Management Approach	1.3 Materiality. + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	73
CATEGORY: SOCIAL			
Employment (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.1 Talent development	13, 75
GRI 401-1	New employee hires and employee turnover	4.1 Talent development	77

GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1 Talent development	79
Worker-company relations (2016)			
GRI 103	Management Approach	1.3 Materiality. + 4.1 Talent development	13, 81 – 82
GRI 402-1	Minimum notice periods regarding operational changes	The provisions of the applicable agreement or, subsidiarily, the relevant local legislation are complied with in this regard.	138
Health and safety in the workplace (2018)			
GRI 103	Management Approach	1.3 Materiality + 4.4 Health and safety in the workplace	13, 90 – 95
GRI 403-1	Occupational health and safety management system	4.4 Health and safety in the workplace	90 – 91
GRI 403-2	Hazard identification, risk assessment and incident investigation	4.4 Health and safety in the workplace	92
GRI 403-3	Occupational health services	4.4 Health and safety in the workplace	92 – 93
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	4.4 Health and safety in the workplace	93
GRI 403-5	Worker training on occupational health and safety	4.4 Health and safety in the workplace	94 – 95
GRI 403-6	Promotion of worker health	4.4 Health and safety in the workplace	94
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.4 Health and safety in the workplace	92 – 95
GRI 403-9	Work-related injuries	4.4 Health and safety in the workplace	95 – 97
Training and teaching (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.1 Talent development	13, 79 -81
GRI 404-1	Average hours of training per year per employee	4.1 Talent development	80
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1 Talent development	80
Diversity and equal opportunities (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 405-1	Diversity of governing bodies and employees	2.1 Good Governance System	29
		4.2 Diversity and equal opportunities	85
		2021 Annual Corporate Governance Report	Section C
Non-discrimination (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.2 Diversity and equal opportunities	13, 83 – 86
GRI 406-1	Incidents of discrimination and corrective actions taken	4.2 Diversity and equal opportunities	83
Freedom of association and collective bargaining (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No significant affected sites and suppliers have been identified in this regard.	138
Child Labour (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 408-1	Operations and suppliers with significant risk for incidents of child labour	No significant affected sites and suppliers have been identified in this regard.	138
Forced or compulsory labour (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No centres or providers have been identified as having a significant risk in this regard.	138
Indigenous peoples' rights (2016)			
GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No such cases have been detected.	138
Human Rights assessment (2016)			

GRI 103	Management Approach	1.3 Materiality + 4.3 Respect for Human Rights	13, 87 – 89
GRI 412-2	Employee training on Human Rights policies or procedures	4.3 Respect for Human Rights	88
Local communities (2016)			
GRI 103	Management Approach	1.3 Materiality + 6. The social value of our activity	13, 118 – 128
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No centres have been identified with significant negative effects in this regard.	139
Social assessment of suppliers (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.4 Responsible and sustainable supply chain	13, 69 – 73
GRI 414-2	Negative social impacts in the supply chain and actions taken	3.4 Responsible and sustainable supply chain	73
Public Policy (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 45
GRI 415-1	Contributions to political parties and/or representatives	CAF is a party-neutral company.	139
Customer health and safety (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.1 Quality and safety of products and services	13, 52 – 54
GRI 416-1	Assessment of the health and safety impacts of product or service categories	3.2 Quality and safety of products and services	53
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.2 Quality and safety of products and services	54
Marketing and labelling (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.1 Quality and safety of products and services	13, 52 – 54
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	No significant non-compliance has been detected in this respect.	139
GRI 417-3	Incidents of non-compliance concerning marketing communications	No significant non-compliance has been detected in this respect.	139
Customer privacy (2016)			
GRI 103	Management Approach	1.3 Materiality + 3.2 Information security	13, 56 – 57
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant non-compliance has been detected in this respect.	139
Socio-economic compliance (2016)			
GRI 103	Management Approach	1.3 Materiality + 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law	13, 36 – 45
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Consolidated Group Financial Statements for 2021	Note 20 and Note 26 to the Financial Statements.

7.4 Table of contents in relation to the Global Compact Principles

The following table identifies the chapters of this report that contain information on compliance with the 10 Global Compact Principles.

THE 10 GLOBAL COMPACT PRINCIPLES	REFERENCE
HUMAN RIGHTS	
PRINCIPLE 1. Businesses should support and respect the protection of internationally proclaimed Human Rights	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.3 Respect for Human Rights
PRINCIPLE 2. Businesses should make sure that they are not complicit in Human Rights abuses	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
LABOUR	
PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.1 Talent development 4.3 Respect for Human Rights
PRINCIPLE 4: Businesses should support the elimination of all forms of forced and compulsory labour.	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 5: Businesses should support the effective abolition of child labour	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 3.4 Responsible and sustainable supply chain 4.3 Respect for Human Rights
PRINCIPLE 6: Businesses should support the elimination of discrimination in respect of employment and occupation	2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law 4.1 Talent development 4.2 Diversity and equal opportunities 4.3 Respect for Human Rights
ENVIRONMENT	
PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges	5.1 Environmental management 5.2 Climate strategy
PRINCIPLE 8: Businesses should undertake initiatives to promote greater environmental responsibility.	3.4 Responsible and sustainable supply chain 5.1 Environmental management 5.2 Climate strategy 5.3 Sustainable and efficient mobility 5.4 Circular economy and sustainable use of resources
PRINCIPLE 9: Companies should encourage the development and diffusion of environmentally friendly technologies	3.3 Innovation and technology 5.3 Sustainable and efficient mobility
ANTI-CORRUPTION	
PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and briber.	1. CAF's overall Vision and Sustainability 2.3 Regulatory Compliance System: Business ethics, prevention of fraud and corruption, and respect for competition law

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

Audit 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 at December 31, 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flowa, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards 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 related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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 judgment, 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 audit opinion thereon, and we do not provide a separate opinion on these matters.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª, Madrid 9 de marzo de 1989.

A member firm of Ernst & Young Global Limited.

Revenue recognition in long-term contracts using the measurement of progress method

Description	The Group carries out an important part of its activity through long-term construction contracts. As indicated in Note 3.f.1 of the attached notes to the consolidated financial statements, the income and results corresponding to contracts for the construction of trains and traction equipment are recorded, in general, based on the estimated progress measurement of the same, obtained based on the percentage that represents the number of hours allocated to the contract over the total of the budgeted hours. The amount of revenue recognized in 2021 in relation to this type of contract by applying the progress method amounted to 1,287,354 thousand euros. The revenue recognition from these contracts requires significant estimates to be made in relation to, among other aspects, the total costs to be incurred, the number of hours allocated over the total budgeted hours or the estimation of the margin considering the expected income and the costs estimated to be incurred, as well as, where appropriate, the amount of the modifications and claims on the initial contract that will finally be accepted by the client. We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity associated with said estimates, which entail the application of judgments by the Group's Management in determining the assumptions considered, since changes in the aforementioned assumptions could give rise to material differences in the recorded income. The breakdowns corresponding to the aforementioned income are included in Note 6.b of the attached notes to the consolidated financial statements.
Our response	In relation to this area, our audit procedures have included, among others, the following: ▶ Understanding of the process established by the Group Management for the management of projects in the budgeting and contract execution phases and for the recognition of revenue, and evaluation of the design and implementation of the relevant controls established in the aforementioned process. ▶ Selection of a sample of projects, taking into consideration both quantitative and qualitative criteria, for which the corresponding contracts have been obtained for their reading and understanding of the most relevant clauses and their implications, as well as the budgets and follow-up reports of the execution of the projects. ▶ Evaluation, for said contracts, of the reasonableness of the assumptions considered by the Group Management through meetings held with the technical staff and those responsible for the development of the projects, analyzing the reasons for the deviations between the initially planned costs and the actual costs and its impact on the estimation of the margin of the projects. ▶ Review of the disclosures included in the notes to the consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Registration and valuation of provisions and contingencies related to commercial contracts

Description

The Group has recorded as of December 31, 2021, under the headings "Non-current provisions" and "Current provisions", as well as deducting "Trade receivables for sales and services", provisions to meet obligations for guarantees, contractual responsibilities and others that are detailed in Notes 20 and 12.a of the attached notes to the consolidated financial statements amounting to 48,686, 219,887 and 37,396 thousand euros, respectively.

The evaluation of the contingencies derived from the commercial contracts and, where appropriate, the valuation of the possible associated provisions, requires complex estimates to be made by the Group's Management, which entails the application of judgments in the determination of the assumptions considered in relation to said estimates, associated, among other aspects, with the eventualities that occurred during the execution of the contracts, including the identification of causes not attributable to the Group, which are conditioned by a high degree of uncertainty.

We have considered this area a key audit matter in our audit due to the complexity of the judgments inherent in assigning value to the key assumptions considered and the variation in such judgments that could lead to material differences in the amounts carried at the date, having a significant impact on the consolidated balance sheet and profit and loss account.

The information regarding the criteria applied by Group Management and the main assumptions considered in determining the corresponding provisions and their amounts, as well as their movement during the year, is included in Notes 3.f, 3.n and 20 of the attached notes to the consolidated financial statements.

Our response

In relation to this area, our audit procedures have included, among others, the following:

- Understanding of the process established by the Group's Management for the identification, assessment and recording of contingencies arising from commercial contracts that may be provisioned, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Obtaining the detail of recorded provisions and selecting a sample, taking into consideration quantitative and qualitative criteria, for which the documentation that supports the estimates made has been obtained and reviewed.
- Understanding and evaluation, for said provisions, of the reasonableness of the key assumptions considered for their quantification based on consultations with the Management and other professionals of the Group in charge of the matters from which contingencies that could be provisioned could arise and, in their case, to written statements from third parties, such as legal advisors, regarding the current situation of the contingencies and the evaluation of the risk derived from them, estimated cash outflows and their probability of occurrence.
- Carrying out a general analytical review of the movement of the different provisions recorded, obtaining evidence and supporting documentation about them and considering our expectations about their potential evolution, obtaining responses from Management to our inquiries in the event of deviations with respect to those expectations.

- Review of the disclosures included in the notes to the consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Valuation of goodwill and other intangible assets

Description As indicated in Note 7 of the accompanying notes to the consolidated financial statements, the net book value of the headings "Goodwill" and "Other intangible assets" as of December 31, 2021 amounts to 109,655 and 222,682 thousand euros, respectively.

The Group's Management submits goodwill and intangible assets with indefinite useful lives to impairment tests annually and when circumstances indicate that their book value may be affected and, for the rest of the intangible assets, it evaluates, at least closing of each financial year, the existence of indications that they could be impaired. If there are indications, it estimates their recoverable amounts based on the present value of the future cash flows generated by the cash-generating units to which said assets are assigned.

The determination of the recoverable amount requires making complex estimates, which entails the application of judgments in establishing the assumptions considered by the Group's Management in relation to said estimates.

We have considered this area as a key audit matter in our audit due to the relevance of the amounts involved and the complexity inherent in the estimation process in determining the recoverable amount of the aforementioned assets.

The information regarding the valuation standards applied and the main assumptions considered in determining the impairment of intangible assets is included in Notes 3.a and 3.c of the attached notes to the consolidated financial statements.

Our response In relation to this area, our audit procedures have included, among others, the following:

- Understanding of the process established by the Group's Management to identify signs of impairment and determine the recoverable amount of goodwill and other intangible assets, and evaluation of the design and implementation of the relevant controls established in the aforementioned process.
- Review of the model used by Group Management to determine the recoverable amount, in collaboration with our valuation specialists, covering, in particular, the mathematical coherence of the model, and the reasonableness of projected cash flows and discount rates and long-term growth. In carrying out our review we have held interviews with those responsible for developing the model and used recognized external sources and other available information to compare the data used.
- Analysis of the reasonableness of the allocation of assets to the different cash-generating units.
- Review of the sensitivity analyzes carried out by the Group's Management with respect to the estimates made in determining the recoverable amount due to changes in the relevant assumptions considered.
- Review of the disclosures included in the notes to the consolidated financial statements in accordance with the applicable regulatory framework for financial information.

Other matters

On February 25, 2021, other auditors issued their audit report on the consolidated financial statements for the year 2020 in which they expressed a favorable opinion.

Other information: consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that the consolidated non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they 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 directors of the parent company 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 has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

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 prevailing audit regulations 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.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism 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 management.

- Conclude on the appropriateness of the directors' use 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 audit committee of the parent company 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 audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the 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.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries for the 2021 financial year, which include the XHTML file containing the consolidated financial statements for the year, and the XBRL files as labeled by the entity, which will form part of the annual financial report.

The directors of Construcciones y Auxiliar de Ferrocarriles, S.A. are responsible for submitting the annual financial report for the 2021 financial year, in accordance with the formatting and mark-up requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation).

Our responsibility consists of examining the digital files prepared by the directors of the parent company, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the consolidated financial statements included in the aforementioned digital files correspond in their entirety to those of the consolidated financial statements that we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital files examined correspond in their entirety to the audited consolidated financial statements, which are presented and have been marked up, in all material respects, in accordance with the ESEF Regulation.

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 25, 2022.

Term of engagement

The ordinary general shareholders' meeting held on June 13, 2020 appointed us as auditors for 3 years, commencing on December 31, 2021.

ERNST & YOUNG, S.L.

The original signed in Spanish

February 25, 2022

Building a better working world

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

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

To the shareholders of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Statement (hereinafter NFS) for the year ended December 31, 2021, of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. and its subsidiaries (hereinafter, the Group), which is part of the Consolidated Management Report of the Group.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in section 7.2 "Table of contents of the Non-Financial Information Statement" included in the accompanying NFS.

Directors' Responsibility

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. are responsible for the approval and content of the NFS included in the Consolidated Management Report of the Group. The NFS has been prepared in accordance with the contents established in prevailing mercantile regulations and following *Sustainability Reporting Standards* selected criteria of the *Global Reporting Initiative* (GRI standards), as well as other criteria described in accordance with that indicated for each subject in section 7.2 "Table of contents of the Non-Financial Information Statement", included in the accompanying NFS.

This responsibility also includes the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

The Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS 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 founded 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 provisions.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our work has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Guidelines on assurance engagements on the Non-Financial Statement issued by the Spanish Institute of Chartered Accountants.

The procedures carried out in a limited assurance engagement vary in nature and timing and are less in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with Group personnel to gain understanding of the business model, policies and management approaches applied, and of the main risks related to these matters, and obtaining the necessary information for our external review.
- Analysing the scope, relevance and integrity of the content included in the NFS for the year ended December 31, 2021 based on the materiality analysis made by the Group and described in section "Materiality", considering the content required by prevailing mercantile regulations.
- Analysing the processes for gathering and validating the data included in the NFS for the year ended December 31, 2021.
- Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS for the year ended December 31, 2021.
- Checking, through tests, based on a selection of a sample, the information related to the content of the NFS for the year ended December 31, 2021 and its correct compilation from the data sources.
- Obtaining a representation letter from the Board of Directors and Management.

Paragraph of emphasis

Regulation (EU) 2020/852 of the European Parliament and the Council, June 18 2020, on the establishment of a framework to facilitate sustainable investments settles the obligation to disclose information on how and to what extent the company's activities are associated with economic activities that are considered environmentally sustainable in relation to climate change mitigation and adaptation objectives for the first time for the financial year 2021, provided that the Non-Financial Statement is published as of January 1 2022. Consequently, comparative information on this matter has not been included in the accompanying NSF. Additionally, information has been included, for which the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. have chosen to apply the criteria that, in their opinion, best enable compliance with the new obligation and which are defined within the 1.6 "Sustainable Taxonomy of the European Union" chapter of the accompanying NFS. Our conclusion has not been modified in relation to this matter.

Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter has come to our attention that would lead us to believe that the NFS of the Group for the year ended December 31, 2021 has not been prepared, in all material respects, in accordance with the contents established in prevailing mercantile regulations and following the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in section 7.2 "Table of contents of the Non-Financial Information Statement", included in the NFS.

Use and distribution

This report has been prepared to comply with prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(signed on the original version In Spanish)

Alberto Castilla Vida

February 25th, 2022

FINANCIAL STATEMENTS OF THE CONSOLIDATED GROUP

Consolidated Balance Sheets

at 31 December 2021 and 2020 (Thousands of Euros)

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries Composing the CAF Group

Assets	Note	31-12-21	31-12-20 (*)
Non-current assets:			
Intangible assets	**7**		
Goodwill		109,655	103,339
Other intangible assets		222,682	220,654
Total Intangible Assets		**332,337**	**323,993**
Property, plant and equipment	**6 & 8**	**388,289**	**403,617**
Investments accounted for using the equity method	**9**	**17,073**	**7,370**
Non-current financial assets	**9**	**429,902**	**429,068**
Non-current hedging derivatives	**17**	**35,408**	**41,736**
Deferred tax assets	**18**	**144,530**	**147,148**
Other non-current assets	**21**	**5,129**	**6,592**
Total Non-current assets		**1,352,668**	**1,359,524**
Current assets:			
Inventories	**11**	**486,824**	**481,669**
Trade and other receivables			
Trade receivables for sales and services	10 & 12	1,511,392	1,357,136
Other receivables	9, 10 & 12	168,441	170,794
Current tax assets		10,335	8,774
Total Trade and other receivables		**1,690,168**	**1,536,704**
Current financial assets	**13**	**131,372**	**102,000**
Current hedging derivatives	**17**	**48,477**	**15,589**
Other current assets	**21**	**9,013**	**9,737**
Cash and cash equivalents		**551,372**	**573,928**
Total Current assets		**2,917,226**	**2,719,627**
Total Assets		**4,269,894**	**4,079,151**

Equity and Liabilities	Note	31-12-21	31-12-20 (*)
Equity:	**14**		
Shareholders' equity			
Registered share capital		10,319	10,319
Share premium		11,863	11,863
Other accumulated reserves and profit for the year attributable to the Parent		919,051	835,893
Interim dividend		(13,712)	-
Total Shareholders' equity		**927,521**	**858,075**
Valuation adjustments			
Hedges		2,508	(13,575)
Translation differences		(203,367)	(211,531)
Total Valuation Adjustments		**(200,859)**	**(225,106)**
Equity attributable to the Parent		**726,662**	**632,969**
Non-controlling interests		**13,798**	**11,234**
Total equity		**740,460**	**644,203**
Non-current liabilities:			
Non-current provisions	**20**	**91,298**	**100,195**
Non-current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		675,569	808,849
Other financial liabilities		76,606	78,615
Total Non-current financial liabilities		**752,175**	**887,464**
Deferred tax liabilities	**18**	**141,337**	**134,233**
Non-current hedging derivatives	**17**	**36,292**	**42,547**
Other non-current liabilities	**21**	**82,079**	**93,914**
Total Non-current liabilities		**1,103,181**	**1,258,353**
Current liabilities:			
Current provisions	**20**	**286,319**	**216,248**
Current financial liabilities	**15 & 16**		
Bank borrowings and debt instruments or other marketable securities		282,703	170,760
Other financial liabilities		48,707	62,512
Total Current financial liabilities		**331,410**	**233,272**
Trade and other payables			
Payable to suppliers	26	780,287	710,496
Other payables	19	932,435	976,801
Current tax liabilities		20,115	15,044
Total Trade and other payables		**1,732,837**	**1,702,341**
Current hedging derivatives	**17**	**69,347**	**20,071**
Other current liabilities	**21**	**6,340**	**4,663**
Total current liabilities		**2,426,253**	**2,176,595**
Total Equity and Liabilities		**4,269,894**	**4,079,151**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated balance sheet at 31 December 2021.

Consolidated Statements of Profit or Loss

for the years ended 31 December 2021 and 2020 (Thousands of Euros)

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries Composing the CAF Group

(Debit) Credit	Note	2021	2020 (*)
Continuing operations:			
Revenue	6, 9 & 10	2,942,685	2,762,472
+/- Change in inventories of finished goods and work in progress		54,152	(39,347)
In-house work on non-current assets		875	2,381
Procurements	22	(1,642,321)	(1,478,806)
Other operating income	22	19,752	16,197
Staff costs	23	(714,665)	(695,039)
Other operating expenses	22	(406,467)	(366,379)
Depreciation and amortisation charge	7 & 8	(87,141)	(89,494)
Impairment and gains or losses on disposals of non-current assets	7, 8 & 9	(2,721)	8,899
Other results		793	11
Profit/(loss) from operations		**164,942**	**120,895**
Finance income	9, 10 & 13	7,055	6,121
Finance costs	9, 15, 16 & 17	(42,924)	(47,641)
Changes in fair value of financial instruments		82	(35)
Exchange differences		(2,296)	(26,106)
Impairment and gains or losses on disposals of financial instruments	9	20	22
Financial profit/(loss)		**(38,063)**	**(67,639)**
Result of companies accounted for using the equity method	9	2,953	(4,179)
Profit/(loss) before tax		**129,832**	**49,077**
Income tax	18	(41,061)	(38,824)
Profit/(loss) for the year from continuing operations		**88,771**	**10,253**
Consolidated profit/(loss) for the year		**88,771**	**10,253**
Attributable to:			
The Parent		85,920	9,012
Non-controlling interests		2,851	1,241
Earnings per share (in euros)			
Basic		2,51	0,26
Diluted		2,51	0,26

(*) Presented for comparison purposes only (Note 2-e).
The accompanying Notes 1 to 28 are an integral part of the consolidated statement of profit or loss for 2021.

Consolidated Statements of Comprehensive Income

for 2021 and 2020 (Thousands of Euros)

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries Composing the CAF Group

	Note	2021	2020 (*)
A) Consolidated profit/(loss) for the year:		**88,771**	**10,253**
B) Other comprehensive income - Items not reclassified to profit or loss:		**(2,762)**	**(1,947)**
Arising from actuarial gains and losses	3-j	(2,788)	(2,482)
Equity instruments at fair value through other comprehensive income	9	96	535
Tax effect	18	-	-
Other income and expenses taken directly to equity		(70)	-
C) Items that may be reclassified subsequently to profit or loss:		**24,175**	**(79,785)**
Cash flow hedges:		**1,442**	**(1,296)**
Revaluation gains/losses	17	1,183	(1,523)
Amounts transferred to profit or loss		259	227
Translation differences:		**7,625**	**(77,046)**
Revaluation gains/losses	14	7,625	(77,046)
Amounts transferred to profit or loss		-	-
Share of other comprehensive income recognised for investments in joint ventures and associates:		**15,454**	**(1,754)**
Revaluation gains/losses			
Cash flow hedges	9 & 17	14,365	(1,849)
Translation differences		467	(225)
		14,832	(2,074)
Amounts transferred to profit or loss			
Cash flow hedges	17	622	320
Translation differences		-	-
		622	320
Tax effect		**(346)**	**311**
Total comprehensive income (A+B+C)		**110,184**	**(71,479)**
Attributable to:			
The Parent		107,405	(72,297)
Non-controlling interests		2,779	818

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of comprehensive income for 2021.

Consolidated Statements of Changes in Equity

for 2021 and 2020 (Thousands of Euros)

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries Composing the CAF Group

	Equity attributable to the Parent							
	Shareholders' Equity							
	Share capital	Share premium	Other accumulated reserves and profit for the year attributable to the Parent	Interim dividend	Hedges	Translation differences	Non-controlling interests	Total equity
Balances at 31 December 2019 (*)	**10,319**	**11,863**	**856,799**	**-**	**(11,062)**	**(134,682)**	**12,130**	**745,367**
Total comprehensive income	**-**	**-**	**7,065**	**-**	**(2,513)**	**(76,849)**	**818**	**(71,479)**
Transactions with shareholders or owners	**-**	**-**	**(27,971)**	**-**	**-**	**-**	**(1,714)**	**(29,685)**
Dividends payable (Note 14)	-	-	(28,864)	-	-	-	(821)	(29,685)
Other transactions with non-controlling interests (Note 2-f)	-	-	893	-	-	-	(893)	-
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity items (Note 14)	-	-	-	-	-	-	-	-
Balances at 31 December 2020 (*)	**10,319**	**11,863**	**835,893**	**-**	**(13,575)**	**(211,531)**	**11,234**	**644,203**
Total comprehensive income	**-**	**-**	**83,158**	**-**	**16,083**	**8,164**	**2,779**	**110,184**
Transactions with shareholders or owners	**-**	**-**	**-**	**(13,712)**	**-**	**-**	**(215)**	**(13,927)**
Dividends payable (Note 14)	-	-	-	(13,712)	-	-	(215)	(13,927)
Other changes in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between equity items (Note 14)	-	-	-	-	-	-	-	-
Balances at 31 December 2021	**10,319**	**11,863**	**919,051**	**(13,712)**	**2,508**	**(203,367)**	**13,798**	**740,460**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of changes in equity for 2021.

Consolidated Statements of Cash Flows

for 2021 and 2020 (Thousands of Euros)

Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries Composing the CAF Group

	Note	2021	2020 (*)
Cash flows from operating activities:			
Profit/(Loss) before tax		129,832	49,077
Adjustments for			
Depreciation and amortisation charge	7 & 8	87,141	89,494
Impairment losses	7, 8 & 9	225	686
Changes in provisions	3 & 20	71,108	40,461
Other income and expenses		(4,956)	(4,458)
Gains and losses on disposals of non-current assets	8	2,721	(8,899)
Investments accounted for using the equity method	9	(2,953)	4,179
Finance income		(7,055)	(6,121)
Finance costs		42,924	47,641
Changes in working capital			
Trade receivables and other current assets	3-d & 12	(136,300)	1,651
Inventories	11	7,544	(19,487)
Trade payables	12	8,101	431
Other current assets and liabilities		2,031	4,591
Other non-current assets and liabilities		(5,674)	17,696
Other cash flows from operating activities			
Income tax paid	19	(36,726)	(38,273)
Other amounts paid relating to operating activities		(4,413)	(1,518)
Net cash (used in) / from operating activities (I)		**153,550**	**177,151**
Cash flows from investing activities:			
Payments due to investment			
Group companies and associates		(9,527)	-
Property, plant and equipment, intangible assets and investment property	7 & 8	(44,593)	(49,298)
Other financial assets	9 &13	(36,509)	(27,840)
Proceeds from disposal			
Group companies and associates	9	277	585
Property, plant and equipment, intangible assets and investment property	7 & 8	1,620	583
Other financial assets	9 & 13	22,860	45,795
Interest received	9 & 13	4,646	3,405
Net cash (used in) / from investing activities (II)		**(61,226)**	**(26,770)**
Cash flows from financing activities:			
Proceeds from issue of equity instruments - non-controlling interests		-	-
Purchase of equity instruments - non-controlling interests	15	-	(3,809)
Proceeds/(Payments) relating to financial liability instruments			
Issue	15 & 16	396,504	491,990
Repayment	15 & 16	(454,699)	(546,493)
Dividend payments and returns on other equity instruments paid	14	(29,086)	(821)
Other cash flows from financing activities			
Interest paid	16	(39,823)	(53,134)
Net cash (used in) / from financing activities (III)		**(127,104)**	**(112,267)**
Net increase / (decrease) in cash and cash equivalents (I+II+III)		**(34,780)**	**38,114**
Cash and cash equivalents at beginning of year		573,928	538,983
Effect on cash of foreign exchange rate changes		12,224	(3,169)
Cash and cash equivalents at end of year		**551,372**	**573,928**

(*) Presented for comparison purposes only (Note 2-e).

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of cash flows for 2021.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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

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 (Guipuzcoa), and its registered office is located at Calle José Miguel Iturrioz 26, Beasain (Guipuzcoa) (Spain).

The Parent did not change its name in the last financial year.

The Parent's object is described in Article 2 of its Bylaws, which are available on the website of the Parent (www.caf.net).

The Group currently engages mainly in the sale of rail and bus mobility solutions, and its main centre of activity is in Beasain (Gipuzkoa), Spain.

The Parent, Construcciones y Auxiliar de Ferrocarriles, S.A., 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 2021 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 2021 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 consolidated financial statements of the CAF Group for 2020 were approved by the shareholders at the Annual General Meeting CAF held on 5 June 2021. The consolidated financial statements of the Group and the financial statements of the Group companies for 2021 are pending approval by shareholders at their 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 2021, various amendments and/or interpretations to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS16 related to the reform of benchmark interest rates and the amendment of IFRS 16 to facilitate the accounting for COVID-19 related leasehold improvements 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
Approved for use in the European Union	
New standards	
Insurance Contracts (IFRS 17)	1 January 2023
Amendments and/or interpretations	
Amendments to References to the Conceptual Framework in IFRS Standards (Amendments to IFRS 3)	1 January 2022
Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022
Not yet approved for use in the European Union	
Amendments and/or interpretations	
Presentation of financial statements and changes in accounting policies (Amendments to IAS 1)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred taxes (Amendments to IAS 12)	1 January 2023

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 2022 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 2021 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 12, 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 2021 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 and correction of errors

As required by IAS 1, the information relating to 2021 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2020.

The 2020 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 2021.

At year-end 2021, a transfer of EUR 53,698 thousand was made between the 2020 consolidated balance sheet liability headings "Current provisions" and "Non-current provisions" as part of the process of assessing the expected timetable for the settlement of provisions for warranties and technical assistance in the Buses segment, so as to ensure the proper presentation of these provisions and their comparability with 2020. As a result, the comparative figures included in these consolidated financial statements have changed (Note 20).

In addition, with a view to performing an appropriate comparison between the consolidated financial statements for 2021 and 2020, 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 2021 have been prepared on the basis of the separate accounting records of Construcciones y Auxiliar de Ferrocarriles, S.A. (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**
Fully consolidated companies			
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
Aerosuburbanos, S.A.P.I. de C.V.	100%	Mexico City	Transport services
BWB Holdings Limited (**)	100% (*)	Nottingham	Engineering
CAF Arabia Company	100%	Riyadh	Manufacturing and maintenance
CAF Argelia (EURL)	100%	Algiers	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%	São Paulo	Manufacturing and maintenance
CAF Belgium, S.P.R.L.	100%	Brussels	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%	Medellin	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%	Paris	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 Investment Projects Costa Rica, SRL	100%	Costa Rica	Lease services
CAF India Private Limited	100%	Delhi	Manufacturing and maintenance
CAF Israel Rails Ltd.	100%	Tel Aviv	Building, manufacturing and maintenance
CAF Italia, S.R.L.	100%	Rome	Maintenance

Rolling stock segment	% of control or influence	Location	Line of business
CAF México, S.A. de C.V.	100%	Mexico City	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%	Luxemburg	Manufacturing and maintenance
CAF Rail UK Limited	100%	Belfast	Manufacturing and maintenance
CAF Rolling Stock UK Limited	100%	Newport	Manufacturing
CAF Sisteme Feroviare S.R.L.	100%	Bucharest	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%	Istanbul	Signalling
CAF Taiwan Ltd.	100%	Kaohsiung	Manufacturing and maintenance
CAF Track Test Center, S.L.U.	100%	Navarre	Track testing
CAF Turnkey & Engineering, S.L.U.	100%	Bizkaia	Engineering
CAFTurk Tren Sanayí Ve Tícaret Límíted Sírketí	100%	Istanbul	Manufacturing and maintenance
CAF USA, Inc.	100%	Delaware	Manufacturing and maintenance
Centro de Ensayos y Análisis Cetest, S.L.	100%	Gipuzkoa	Tests
Ctrens - Companhia de Manutençao, S.A.	100%	São Paulo	Lease services
Construcciones Ferroviarias de Madrid, S.L.U.	100%	Madrid	Maintenance
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	100%	Mexico City	Building and Maintenance
Corporación Sefemex, S.A. de C.V.	100%	Mexico City	Rendering of services
Corporación Trainemex, S.A. de C.V.	100%	Mexico City	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%	Mauritius	Building, manufacturing and maintenance
Orbital Sistemas Aeroespaciales, S.L. (***)	100%	Navarre	Aeronautical solutions
Provetren, S.A. de C.V.	100%	Mexico City	Lease services
Rail Line Components, S.L.U.	100%	Gipuzkoa	Marketing
Regiotren, S.A. de C.V.	100%	Mexico City	Lease services
Rifer SRL	100%	Milán	Component maintenance
Sermanbra - Serviços de Manutençao Brasil Ltda.	100%	São Paulo	Maintenance
Sermanfer, S.A.U.	100%	Madrid	Maintenance
Sermantren, S.A. de C.V.	100%	Mexico City	Rendering of services
Tradinsa Industrial, S.L.	100%	Lleida	Repairs and maintenance
Tram Liège Maintenance S.A.	65%	Liege	Maintenance
Trenes CAF Venezuela, C.A.	100%	Caracas	Manufacturing and maintenance
Trenes de Navarra, S.A.U.	100%	Navarre	Manufacturing

Rolling stock segment	% of control or influence	Location	Line of business
Companies accounted for using the equity method (Note 9)			
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%	Mexico City	Manufacturing and equipment
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (*****)	43.35%	Mexico City	Transport services
Great River City Light Rail Pty Ltd (*****)	30%	Sydney	Operation and maintenance
LAVI Light Rail 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
Plan Metro, S.A. (*****)	40%	Gipuzkoa	Lease services
Purple Line Transit Operators LLC	49%	Delaware	Operation and maintenance
CFIR Light Rail 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 owns all the shares of Orbital Aerospace, GmbH.
(****) This company holds an 80% ownership interest in Sociedad S.E.M. Los Tranvías de Zaragoza, S.A.
(*****) These companies are engaged in concessions for the running of operating systems, the supply of fleet and subsequent maintenance and the leasing of railway equipment. The CAF Group's operations with these companies involve the supply of fleet and the performance of turnkey projects, as well as the maintenance of railway equipment and material.

Buses segment	% of control or influence	Location	Line of business
Fully consolidated companies			
Solaris Bus & Coach, sp. z.o.o.	97.33%	Bolechowo	Solutions for urban transport
Solaris Austria, GmbH	97.33%	Vienna	Solutions for urban transport
Solaris Belgium, SRL.	97.33%	Villers-le-Bouillet	Solutions for urban transport
Solaris Bus Ibérica, S.L.U.	97.33%	Navarre	Solutions for urban transport
Solaris Bus & Coach Latvia Ltd.	97.33%	Riga	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%	Athens	Solutions for urban transport
Solaris Italia S.R.L.	97.33%	Rome	Solutions for urban transport
Solaris Netherlands, B.V.	97.33%	Riethoven	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%	Cyprus	Holding Company
UAB Solaris Bus & Coach LT	97.33%	Kaunas	Solutions for urban transport
Companies accounted for using the equity method (Note 9)			
JBM Solaris Electric Vehicles Private Limited	20%	Ballabhgarh, India	Solutions for urban transport

Changes in the scope of consolidation

2021

On 11 November 2021, subsidiary company CAF Diversified Business Development, S.A.U. acquired the remaining 70% stake in Orbital Sistemas Aeroespaciales, S.L. (a leading company in the development of critical systems and solutions in the aeronautical, space and railway sectors) for EUR 12,746 thousand, thus acquiring all of the shares in the company and outright control. Of this amount, EUR 1,050 thousand is recognised under "Non-Current Financial Liabilities – Other Financial Liabilities" in the accompanying consolidated balance sheet (Note 15) as variable consideration, as payment of this amount is subject to the attainment of certain levels of order intake in the period running from 1 October 2021 to 31 December 2023.

The costs incurred by the Group in connection with this transaction were not material and have been recognised as expenses in the accompanying statement of profit or loss for 2021.

The following table presents the fair value of the assets and liabilities acquired in the transaction described above:

	Thousands of Euros
Non-current assets	
Intangible assets	11,374
Property, plant and equipment	93
Non-current financial assets	54
Deferred tax assets	150
Current assets	
Inventories	1
Trade and other receivables	1,996
Cash and cash equivalents	2,169
Non-current liabilities	
Non-current financial liabilities	545
Deferred tax liabilities	3,175
Current liabilities	
Current provisions	10
Current financial liabilities	3
Trade and other payables	810
Total Net Assets	**11,294**
% acquired	100%
Total Net Assets acquired	11,294

At 31 December 2021 the business combination was provisionally recorded and determined within the one-year period provided for in prevailing regulations for determining the fair value of the assets and liabilities acquired. All work needed to obtain a market valuation of the assets and liabilities acquired will be completed within this period. The following table provides a breakdown of the provisional calculation of goodwill:

	Thousands of Euros
Consideration for the 70% acquired in 2021	
Cash paid	11,696
Cash amount outstanding	1,050
Fair value of the 30% previously acquired, at date of acquisition	5,462
	18,208
Net assets acquired	11,294
Goodwill (Note 7)	6,914

The Group recognised income of EUR 40 thousand with a credit to "Result of companies accounted for using the equity method" in the accompanying consolidated statement of profit or loss as a result of measuring the previously acquired 30% stake at the estimated fair value of the remaining 70% at the acquisition date.

The following table shows the net cash flow generated by this transaction at 31 December 2021:

	Thousands of Euros
Cash paid under the operation	11,696
Cash acquired under the operation	2,169
Net cash transferred	9,527

The contribution made by Orbital Sistemas Aeroespaciales, S.L. to the consolidated statement of profit or loss for 2021 amounted to a loss of EUR 37 thousand and revenue of EUR 942 thousand.

Had the acquisition of Orbital Sistemas Aeroespaciales, S.L. taken place on the first day of the financial year, the Group's revenue would have increased by EUR 4,079 thousand and profit by EUR 493 thousand.

In 2021, the companies Solaris Netherlands, B.V. and Solaris Belgium, SRL were incorporated, in which the subsidiary Solaris Bus & Coach, sp. z.o.o. holds a 100% stake; as was CAF Investment Projects Costa Rica, SRL, wholly owned by subsidiary company CAF Investment Projects, S.A.U.; and Aerosuburbanos, S.A.P.I. de C.V., 50% of which owned by the Parent and 50% by subsidiary company CAF Investment Projects, S.A.U. Meanwhile, the CAF Group now holds a 49% stake in Purple Line Transit Operators LLC following the shareholding restructuring process, compared to the 20% stake it held at 31 December 2020. This interest is held through subsidiary company CAF USA, Inc.

Also in 2021 the companies J-NET O&M Ltd and TransJerusalem J-Net Ltd changed their names to LAVI Light Rail O&M Ltd and CFIR Light Rail Ltd, respectively.

Lastly, the companies CAF IP Colombia, S.A.S. and Solaris Bus Israel Ltd were liquidated and Solaris Bus & Coach, sp. z.o.o. sold 100% of Solaris Bus & Coach Romania, S.R.L., without this generating any significant impacts.

In November 2021, the CAF Group reached an agreement with Alstom for the future acquisition of the Reichshoffen plant in the Alsace region and the Coradia Polyvalent train platform, as well as the intellectual property related to the Talent 3 platform. The enterprise value of the acquired perimeter is estimated at around EUR 75 million and will be financed mainly through CAF debt. The final price will be finalised, after the corresponding adjustments, upon completion of the transaction, which is expected to take place between April and September 2022.

2020

In 2020, wholly-owned companies UAB Solaris Bus & Coach LT and 50%-owned companies LAVI Light Rail O&M Ltd (formerly J-NET O&M Ltd.) and Light TLV NTA, Ltd. were incorporated. The Parent also carried out 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, thus increasing its stake from 97.20% to 97.33%.

Meanwhile, the energy line of business of the company Nuevas Estrategias de Mantenimiento, S.L. (NEM) was spun off in 2020 in favour of a new company whose shareholding was subsequently transferred under a cross-shareholding arrangement. As a result, the CAF Group is now the sole owner of Nuevas Estrategias de Mantenimiento, S.L. Following this transaction, a corporate restructuring process took place, ultimately leading to the extinction of NEM by merging it with CAF Rail Digital Services, S.L.U. (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 (Note 15), bringing the Group's ownership interest to 76.13%.

Lastly, the companies Ennera Kaihatsu Co., Ltd., Tumaker, S.L., Vectia Mobility Research & Development, A.I.E. and Solaris Bulgaria EOOD were all liquidated, with this generating any significant impact.

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 and joint ventures 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) COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. Since then, the CAF Group has been making every effort possible within the regulatory framework imposed by national and international health authorities to protect the health and safety of all its employees, while maintaining the supply chain to its clients.

Consequently, in order to follow the guidelines set out by the governments of the countries in which the CAF Group operates, the Group adapted its working practices accordingly and drew up action protocols that included 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 train manufacturing activity at its plants located in Spain to the extent that compliance with the minimum health and safety conditions established in the workplace could not be guaranteed. On 20 April 2020, activity resumed at the production plants in Spain, prioritising compliance with health and safety conditions for people. Organisational measures were promptly deployed to arrange all workers into more homogeneous groups in order to prevent overcrowding in different areas of the factory. An agreement was also reached to make up for the days of stoppage. At 31 December 2021, there was a total of 18,192 hours to be recovered, equivalent to EUR 763 thousand, as recognised under "Trade and other receivables – Other receivables" in the accompanying consolidated balance sheet (31,000 hours to be recovered at 31 December 2020, equivalent to EUR 1,329 thousand).

Bus production has continued at the Group's various production plants, and the difficulties encountered in 2020 in delivering buses in regions heavily impacted by the COVID-19 pandemic have since eased.

In terms of services, COVID-19 has had a direct effect on operators and the transportation services they offer to the public and, consequently, on maintenance requirements and the guarantees provided. The impact has been different in each country, both due 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 and protocols were adapted at all Group centres around the world. At 31 December 2021, there were no workers on furlough at the maintenance area due to the reduction in the scope of the maintenance contracts (64 people at 31 December 2020, peaking at 615 people in May 2020).

Teleworking arrangements have continued, insofar as possible, since the date of the stoppage of manufacturing activities, although following the publication of the back to work plan in June 2021, on-site work has been steadily increasing. In 2020, these actions, together with the other steps taken by the Group to respond to the pandemic, led to a reduction in activity at most train production plants and, to a lesser extent, at the services area, coupled with additional costs in seeking to cushion the impact of the pandemic. These effects, as well as the inefficiencies and incremental costs incurred by the Group in 2020, were recognised under operating income in the consolidated statement of profit or loss for 2020. Also in 2020 there were significant fluctuations in the exchange rates of the currencies of the main countries where the Group operates, with a significant impact on both earnings and translation differences. At 31 December 2021, the consolidated statement of profit or loss does not show any significant impacts due to the COVID-19 pandemic or any significant exchange rate fluctuations. In this regard, the Group's foreign currency exposure is similar to the level reported at the end of 2020.

As a result of the conditions and events to have arisen from COVID-19, there were no significant disputes with customers or suppliers during the period, and commercial activity and the acquisition of new orders have returned to relative normality.

Meanwhile, no contracts with customers have been terminated and the Group has been making force majeure notifications since March 2020 due to the impact that the pandemic could have on its ability to honour its contractual obligations, following the relevant procedures set out in the contracts for such force majeure events. The Group has remained in constant contact with customers and has arranged extensions to delivery milestones in proportion to the delay caused by the restrictions put in place in response to the pandemic in each country. The aim of these extensions is to avoid incurring penalties due to delays caused by the pandemic. While these negotiations have yet to be finalised in the case of certain contracts, the Group does not expect significant penalties to arise. Significantly, some customers have requested a lengthening of the delivery times to accommodate current levels of passenger traffic.

The Parent's directors believe that the swift deployment of the contingency plan, with personalised pandemic management, has enabled the CAF Group to significantly mitigate the impacts of the pandemic. The prospects of recovery within the railway transport and urban mobility sectors, the continued development of urban electromobility and the inherent sustainability of railway transport, among other factors, support the expectations of maintaining pre-pandemic levels of profitable growth and of improving sustainability ratings.

h) Climate change

In 2021, the Group made further progress in devising a framework for managing climate change risks and opportunities in the short, medium and long term. The Group is therefore analysing sector trends and the risks and opportunities associated with climate change at peer companies, identifying climate risks and opportunities for the Group, including the financial impact, and defining a methodology to monitor and control them accordingly.

The Group factors in both physical and transition risks when assessing possible negative deviations from the Group's objectives. Among the physical risks, it discriminates between acute and chronic risks, while among the transition risks a distinction is made between i) political and legal risks; ii) technological risks; iii) market risks; and iv) reputational risks. Along these lines, the Group identifies opportunities that could lead to a positive deviation from the CAF Group's objectives, such as more sustainable products and services and more efficient resources and energy sources, while also managing certain risks that could unlock benefits and bring added value to the organisation.

The work that the Group is carrying out in analysing the risks and opportunities associated with climate change and in measuring and setting targets to reduce greenhouse gas emissions is described at length in the "Climate Strategy" chapter of the Group's Non-Financial Information Statement — Sustainability Report. For financial reporting purposes, the Group does not consider that the process of analysing these risks and opportunities will have a significant impact on the financial statements.

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 2021 and 2020 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 relations, customer portfolio and trademarks arise mainly from business combinations (acquisitions of Solaris, EuroMaint, BWB, Rifer and Orbital) and are recognised initially at acquisition-date fair value, which is their deemed cost.

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	1.5 – 18
Patents, Licenses and Trademarks	20 – indefinite useful life
Development expenditure	3 - 8
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

To determine the depreciation of leasing transport items recognised as a result of bus contracts with repurchase option and whose income is recognised as an operating lease (Notes 3-f and 3-l), the residual value of the assets concerned —calculated as the estimated fair value at the repurchase date— is deducted from their value. These assets are depreciated over the life of the operating lease contracts.

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.

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 2021, the Group had derecognised receivables amounting to EUR 80,726 thousand (31 December 2020: EUR 89,180 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 measured at fair value and 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.

The Group also had supplier payment management (reverse factoring) arrangements in effect with various financial institutions at 31 December 2021, amounting to EUR 56,928 thousand (EUR 38,166 thousand at 31 December 2020), of which EUR 15,717 thousand is recognised under "Trade and other payables – Suppliers" and "Trade and other payables – Other payables" in the consolidated balance sheet, as they are trade liabilities whose settlement is managed by financial institutions and for which the CAF Group has only assigned the management of payment, but remains the primary obligor for payment of the debts to the trade creditors concerned, with no change in the maturities and no further financial guarantees granted; and EUR 41,211 thousand is recognised under "Current financial liabilities – Bank borrowings and debt instruments and other marketable securities" in the consolidated balance sheet as they are reverse factoring facilities used by the Group as a financing alternative.

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 2021 and 2020 is as follows (in thousands of euros):

2021

	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments (Note 9-b)	-	-	24,465	24,465
Derivatives (Note 17)	-	83,885	-	83,885
Other financial assets (Note 13)	86,078	-	-	86,078
Total assets	**86,078**	**83,885**	**24,465**	**194,428**
Liabilities				
Derivatives (Note 17)	-	105,639	-	105,639
Other financial liabilities (Note 15)	-	-	10,116	10,116
Total liabilities	**-**	**105,639**	**10,116**	**115,755**

2020

	Level 1	Level 2	Level 3	Total
Assets				
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
Total assets	**61,097**	**57,325**	**25,228**	**143,650**
Liabilities				
Derivatives (Note 17)	-	62,618	-	62,618
Other financial liabilities (Note 15)	-	-	7,988	7,988
Total liabilities	**-**	**62,618**	**7,988**	**70,606**

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).

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's main sources of revenue are formalised through contracts and orders accepted by customers which may include, individually or in combination, the following goods and services which are identified as separate performance obligations:

– Supply of train fleet

– Supply of bus fleet

– Maintenance of train and bus fleets (manufactured by the CAF Group or third parties) during their useful life (estimated on average at 10 years for buses and 25-30 years for trains), or in shorter periods of time depending on the customer's maintenance strategy.

– Refurbishment of customer-owned trains

– Civil works that include integrated engineering solutions for railway systems and infrastructure in general.

– Signalling systems

– Sale of train and bus equipment and components: traction equipment, wheelsets, reductions gearboxes and spare parts in general.

The main characteristics of each of these are described below, grouped according to how the performance obligations are met:

f.1) Performance obligations that are fulfilled over time

– Construction of trains and traction equipment

Revenues from performance obligations for the construction of trains and traction equipment relate to rolling stock and other items specifically negotiated with customers on the basis of mutually agreed technical terms and conditions through a prior specification sheet as part of an offer. CAF therefore designs and manufactures vehicles tailored to the individual needs of each customer. Along with the delivery of the trains and traction equipment, the same performance obligation being considered, it is customary to deliver what are known as fleet parts (or strategic spare parts) and equipment for the maintenance workshops so that the customer can ensure, at all times, the availability of all trains in operation.

Trains and traction equipment are built as soon as the contract is signed, starting with the design and ending with the contractually established warranty period, once the trains have been made available to the customer.

These obligations are met throughout the life of the contract, from signature to completion of the various agreed obligations, as the trains are built to the technical specifications agreed individually with each customer. Additionally, the contracts include cancellation clauses that provide for the right to be paid for the work completed to date.

The technical specifications of the trains and traction equipment, with specific designs to suit each customer's needs, making it more difficult to find an alternative use for the trains and equipment in the event of contract cancellation, as the Group would have to incur significant costs to adapt them to other customers, assuming they are not downright incompatible.

This type of performance obligation also includes a warranty period that is not a differentiated service, but is there to ensure the proper functioning of the trains. These are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Group operates. The Group estimates the related provision for future warranty claims based on historical information on warranty claims, as well as recent trends that may suggest that past cost information may differ from the cost of future claims.

This type of performance obligation usually takes more than a year to complete, and advance payments are often received from customers. Invoicing and payment schedules depend on the degree of performance of each project and invoicing milestones take place during the main phases of the projects (signing of the contract, approval of the design, launching of orders to suppliers, delivery of the first unit, mass delivery of units, delivery of warranty, etc.). In the initial stages of a project (contract signature, design approval, orders delivered to suppliers, delivery of initial units) it is common for billing milestones to exceed recognised revenues, while as the project progresses and moves into delivery phases, revenues typically exceed cumulative billing until the deliveries are made and the train warranty period ends and there is no longer any significant financing component to the project. In addition, the price introduces an element of variability and the customer may establish penalties depending on the fulfilment of delivery milestones, which may therefore modify the likely price of the transaction.

In this type of contract, it is common to include an option to purchase additional units, the price of which may vary depending on when the option is exercised. In this case, the CAF Group identifies each set of units as a separate obligation, recognising the original contract and, if applicable, the option exercised separately.

For train and traction equipment construction contracts, the Group generally recognises revenue and profit for each contract based on the estimated measure of progress of the contract, calculated as a percentage of the number of hours assigned to the contract out of the total hours budgeted.

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 measure of progress 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 contract completion is recognised.

– Contracts for the construction of civil works, signalling and engineering services

In this type of performance obligation, the CAF Group agrees upon an integral system solution with the customer; one that includes civil works and building, electrification, signalling, communications and other systems, which encompasses the preliminary design, supply management, construction and commissioning of both railway systems and infrastructure in general so as to provide a solution tailored to the specific needs of the customer.

These contracts include a warranty period that is not a differentiated service, but relates to the proper functioning of the construction or service. They are industry-standard warranties and feature standard terms and conditions in accordance with the legal requirements of each country in which the Group operates. Meanwhile, the Group has similar warranties in place with its main subcontractors and therefore no significant warranty provisions are recorded.

The term of these contracts is usually more than one year. In these cases, billing and payment schedules are pegged to the achievement of various project milestones and the degree of project completion and do not differ significantly from the revenues recognised. Therefore, there is no significant financing component.

Revenue and profit or loss on civil works, signalling and engineering services contracts are recognised by reference to the estimated measure of progress of the contract, calculated on the basis of the costs incurred compared with the total budgeted costs.

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.

– Maintenance contracts

The CAF Group provides maintenance services for trains, buses and systems, in relation to material delivered by both CAF and other manufacturers. The duration of maintenance contracts varies, depending on the customer's specific needs and maintenance strategy.

These revenues are established on the basis of fees that are negotiated in each contract, with revenues recognised over the life of the contract on the basis of the method that best reflects the percentage of progress made at the relevant time. In the case of multi-year projects with monthly invoicing where the resources used to render the service are linear, it is assumed that the invoicing is equivalent to revenues, in the absence of a significant financing component.

However, in those maintenance contracts where the resources to perform the service are not linear (mainly when major overhauls or repair work are required) the cost to be incurred in each of them is estimated and the income is from the billings is deferred to the periods in which the major repair work is to take place. The resulting difference is recorded as either non-current or current "Liabilities under contract", depending on whether the major repair work is expected to be performed within a period of more or less than 12 months, respectively.

f.2) Performance obligations that are fulfilled at a specific point in time

– Sales of buses

CAF Group sells a wide range of diesel, electric, hydrogen and hybrid buses for urban transport.

This type of contract involves the manufacture of products which, depending on the type of customer, require small modifications that do not deviate significantly from the technical specifications. The asset is not transferred until actual delivery to the customer, whereupon the revenue is recognised. A delivery period is stipulated in the contractual conditions, and penalties may be imposed in the event of late delivery. In the event that the customer refuses to accept the buses at time of delivery for technical or other reasons, the CAF Group does not recognise the revenue until the buses are formally accepted.

The Group also undertakes to provide a warranty period for the buses, in accordance with the law and industry practice, without taking into account required maintenance work and normal product wear and tear. Management estimates the related provision for future warranty claims based on historical information on warranty claims, as well as recent trends that may suggest that past cost information may differ from the cost of future claims.

These contracts come with a short performance period, with invoicing to the customer being chiefly linked to the time of acceptance of the buses by the customer. As a result, there is no significant financing component.

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. Such contracts can be performed as an obligation to repurchase the asset (forward contract), or as an obligation to repurchase the asset at the customer's request (put option).

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).

– Wheel sets, spare parts and minor refurbishments

The Group also sells other products such as assembled axles, wheels and reduction gearboxes for the railway market and other spare parts for both rolling stock and buses. It also provides refurbishment services upon the customer's request. In these cases, the Group recognises the revenue when the customer takes control of the asset and the performance obligation is fulfilled.

f.3) Common aspects

Potential losses on contracts are recognised in full when they become known or can be reliably estimated.

The Group only recognises income arising from claims or contract scope modifications once the customer has accepted the claim and there is evidence of such acceptance in the form of a contractual amendment or similar legal document.

Based on the revenues realised, the projected profit or loss on each contract and the measure of progress, inventories are derecognised with a charge to the related heading of the consolidated statement of profit or loss and with a credit to "Inventories" on the asset side of the consolidated balance sheet (Note 11).

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 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 (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

2021 for various groups of employees amounted to EUR 7,213 thousand (2020: EUR 7,679 thousand). The impact of these obligations on the consolidated statement of profit or loss for 2021 amounted to EUR 7,512 thousand (2020: EUR 5,146 thousand) with a charge to "Staff costs". In 2021 a net actuarial loss of EUR 2,788 thousand arising from changes in the actuarial assumptions was recognised directly in equity (2020: a net actuarial loss of EUR 2,482 thousand).

In accordance with the accrual basis of accounting, at 31 December 2021 the Group recognised a current asset of EUR 820 thousand and a current liability of EUR 3,811 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 2020: current assets of EUR 280 thousand and liability of EUR 721 thousand). The future modifications to the obligations assumed will be recognised in the consolidated profit or loss for the related years (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 addition, in accordance with the applicable collective bargaining agreement, the Parent contributes 2.3% of the annual contributions (same percentage as in 2020) for all its employees from certain locations to an employee benefit entity (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 2021 were recognised under "Non-current Provisions" and "Current Provisions" for EUR 8,352 thousand and EUR 3,105 thousand, respectively (31 December 2020: EUR 7,408 thousand and EUR 3,401 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.

Deferred tax assets and 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 a corresponding liability for all lease contracts that do not qualify as current leases (those with a maximum term of 12 months from the commencement date) or low value leases (based on the IFRS value of USD 5,000). In such cases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

In relation to the contracts identified, the Group has analysed whether they comply with the relevant requirements under IFRS for them to be recognised as leases, i.e:

(a) There must be an identified asset (either individualised or a "distinct portion" thereof) over which, in accordance with the terms of the contract, there is a right to direct the use of the asset.

(b) The use of the asset must grant the right to obtain substantially all the economic benefits from using the asset during the lease term.

The leases subject to this new standard relate mainly to commercial buildings, as well as various items of machinery for use in warehouses.

Lease liabilities are initially measured at the present value of the lease payments due at the initial date, discounted using the Group's incremental borrowing rate, as required by the standard, given the difficulty in determining the implicit interest rate on leases. A specific rate has been used in this regard for each lease contract, depending on the country where the company party to the contract is located and the terms of the contracts.

The lease payments included in the calculation are as follows:

– Fixed lease payments (net of any incentives from the lessor).

– 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 repayment of lease liabilities is presented as cash flows from financing activities in accordance with IFRS 16.

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 on a straight-line basis over the term of the contract and are subject to impairment. 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 (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, less the repurchase option price. 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.

n) Provisions and contingent liabilities

When identifying obligations, the Parent distinguishes between:

– Provision: a present obligation (legal or constructive) as a result of past events when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

– Contingent liability: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Group's control; or possible obligations whose occurrence is unlikely or whose amount cannot be reliably estimated.

Provisions are recognised when it is probable that the obligation will have to be settled and the amount can be measured reliably. Contingent liabilities are not recognised and are only reported in the consolidated financial statements, except for those arising from business combinations.

Provisions are recognised on the basis of the best estimate of the expenditure that will be required to settle the present obligation at the reporting date. Provisions are fully or partially reversed when they cease to exist or when the obligations are reduced, respectively.

Provisions for guarantees are recognised when the significant risks and rewards of a project are transferred to the customer.

Expected losses on onerous contracts are recognised when the best estimate of total contract costs exceeds the expected contract revenue.

Provisions are discounted to reflect the present value of expected expenses where the effect of the time value of money is material.

4. DISTRIBUTION OF THE PROFIT OF THE PARENT

The proposed distribution of the profit for 2021 that the Parent's directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

Distribution	Thousands of Euros
Distributable profit	
Profit for the year	47,768
Distribution	
To dividends	34,281
Voluntary reserves	13,487

Of the amount set aside for dividends, interim dividends totalling EUR 13.7 million were approved on 6 October 2021 and are recognised under "Interim dividend" in equity in the accompanying consolidated balance sheet.

The interim liquidity statement drawn up by the directors on 6 October 2021 in accordance with legal requirements, showing sufficient liquidity for the distribution of dividends, was as follows:

	Thousands of Euros
Profit for the year	21,772
Reserves to be posted	-
Distributable profit	21,772
Proposed interim dividend	13,712
Cash liquidity	333,752
Undrawn lines of credit	300,500
Total liquidity	**634,252**

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 (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 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, 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.

In this regard, a significant portion of the financial debt at 31 December 2021 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, the debt relating to the Solaris Group, and the debt relating to other Group companies.

The exposure to interest rate risk of the Group's borrowings at 31 December 2021 and 2020 is as follows (Notes 16 and 17):

	Millions of Euros								
		31/12/21				31/12/20			
			Permanent				Permanent		
	Principal indexes	Variable	With insurance contract	Without insurance contract	Total	Variable	With insurance contract	Without insurance contract	Total
Ctrens - BNDES	TJLP	71.4	-	-	71.4	84.3	-	-	84.3
Provetren – Bank union	LIBOR	41.5	-	-	41.5	9.0	48.0	-	57.0
The Parent (CAF, S.A.)	EURIBOR	253.6	25.0	372.5	651.1	267.0	25.0	348.1	640.1
CAF Investment Projects, S.A.U.	EURIBOR	19.9	-	-	19.9	19.9	-	-	19.9
Solaris Group	EURIBOR+ WIBOR	171.1	-	-	171.1	164.3	-	-	164.3
Other Group companies		1.6	-	-	1.6	12.0	-	-	12.0
Total		**559.1**	**25.0**	**372.5**	**956.6**	**556.5**	**73.0**	**348.1**	**977.6**

Taking into consideration the balance at 31 December 2021 and 2020, if the average of the market-tied interest rates of third-party borrowings had been 100 basis points higher, 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 5,591 thousand and EUR 5,565 thousand, respectively.

The fair value of the Group's fixed-rate debt does not differ significantly from its carrying amount.

In addition, the Group and those companies accounted for using the equity method arranged various swaps related to the nominal value of their financial debts. In the event of a 100 basis point increase in the interest rates to which these swaps are referenced, the positive impact on "Other comprehensive income – Hedging transactions" in the accompanying consolidated balance sheet would be EUR 6,980 thousand.

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, the Israeli shekel, the Turkish lira, the Canadian dollar, the Taiwanese dollar 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 2021 and 2020 of a 10% depreciation of the following currencies against the euro, considering the closing exchange rate at 31 December and the currency forwards arranged (Note 17), would be as follows:

Currency	Thousands of Euros			
	2021		2020	
	Exposure	Gain/ (Loss)	Exposure	Gain/ (Loss)
Brazilian real	32,968	(3,297)	23,480	(2,348)
Pound sterling	(3,588)	359	3,491	(349)
Mexican peso	14,225	(1,422)	19,420	(1,942)
Polish zloty	(38,989)	3,899	(44,940)	4,494
New Taiwan dollar	-	-	36,667	(3,667)

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 currency. The sensitivity of the consolidated statement of profit or loss to the other foreign currencies was not significant.

At 31 December 2021 and 2020, 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 2021 and 2020 is as follows:

Currency	Countervalue in Thousands of Euros					
	31/12/21			31/12/20		
	Assets	Liabilities	Net exposure	Assets	Liabilities	Net exposure
Chilean peso	16,734	14,276	2,458	17,686	15,730	1,956
Mexican peso	218,299	166,186	52,113	163,138	143,711	19,427
Brazilian real	282,108	167,596	114,512	305,672	174,303	131,369
US dollar (Note 3-d) (*)	395,860	172,358	39,048	427,916	209,076	44,676
Pound sterling	199,075	139,622	59,453	146,154	93,249	52,905
Algerian dinar	2,573	453	2,120	3,019	940	2,079
Turkish lira	3,750	2,375	1,375	2,888	1,357	1,531
Indian rupee	8,585	435	8,150	8,166	544	7,622
Australian dollar	100,474	98,676	1,798	54,298	53,284	1,014
Saudi riyal	51,713	27,891	23,822	31,240	22,441	8,799
New Zealand dollar	7,844	4,168	3,676	11,209	8,238	2,971
New Taiwan dollar	7,238	674	6,564	11,366	5,364	6,002
Mauritian rupee	3,295	1,712	1,583	4,555	3,469	1,086
Polish zloty	690,811	429,110	261,701	720,919	480,257	240,662
Swiss franc	8,329	5,791	2,538	9,215	5,510	3,705
Norwegian krone	6,549	8,582	(2,033)	6,165	8,681	(2,516)
Swedish krona	250,680	209,151	41,529	215,182	164,241	50,941
Other	33,228	29,294	3,934	24,359	21,880	2,479
Total	**2,287,145**	**1,478,350**	**624,341**	**2,163,147**	**1,412,275**	**576,708**

(*) At 31 December 2021, there were hedges of net investments in foreign operations (Note 17) amounting to EUR 184,454 thousand, applying the year-end exchange rate (31 December 2020: EUR 174,164 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 62,434 thousand at 31 December 2021 (31 December 2020: EUR 57,671 thousand).

The detail of the main foreign currency balances of subsidiaries according to the nature of the items comprising them is as follows:

	Countervalue in Thousands of Euros			
	31/12/21		31/12/20	
Nature of the balances	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Goodwill	101,969	-	102,568	-
Other intangible assets	144,203	-	152,026	-
Property, plant and equipment	201,651	-	203,970	-
Non-current financial assets and deferred tax assets	458,794	-	450,562	-
Other non-current assets	5,129	-	6,592	-
Inventories	434,570	-	399,535	-
Trade and other receivables	619,327	-	612,590	-
Other current assets	155,088	-	92,363	-
Cash and cash equivalents	166,414	-	142,941	-
Non-current liabilities	-	565,946	-	533,239
Current liabilities	-	912,404	-	879,036
Total	**2,287,145**	**1,478,350**	**2,163,147**	**1,412,275**

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

The Group's accounts receivable and work in progress relate to customers located in different countries. Most railway contracts 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 2021 and 2020, 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-h 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 may result 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.

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. The main activities of the CAF Group in the United Kingdom relate to the supply of trains, maintenance services and engineering services. The year 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 has allowed the Group to continue operating normally in the businesses that it runs in the UK and, therefore, it has not had a significant impact on these consolidated financial statements. In any case, throughout 2021 the Company continued to monitor and control the various measures and action plans put in place to mitigate the consequences of Brexit. The most significant measures focus on: i) reducing the operational risks of projects due to the impact of changes in customs procedures and/or tariffs by defining import conditions and appraising advance payment requirements at customs; ii) reducing the movement of people under the various scenarios and reviewing the need to issue visas for the UK; and iii) reviewing global insurance coverage that includes the UK. These measures and action plans will remain in force throughout 2022.

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 information

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:

	2021 (Thousands of Euros)				
Segmentation by business unit	**Rolling stock**	**Buses**	**General**	**Inter-segment**	**Total**
External sales	2,221,832	720,853	-	-	2,942,685
Inter-segment sales	1,523	-	-	(1,523)	-
Total sales	**2,223,355**	**720,853**	**-**	**(1,523)**	**2,942,685**
EBITDA	**192,960**	**61,844**	**-**	**-**	**254,804**
Depreciation and amortisation charge (Notes 7 and 8)	(63,186)	(23,955)	-	-	(87,141)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	(2,661)	(60)	-	-	(2,721)
EBIT	**127,113**	**37,829**	**-**	**-**	**164,942**
Financial loss	(10,115)	(11,799)	(16,149)	-	(38,063)
Share of net results of associates	2,953	-	-	-	2,953
Profit (Loss) before tax	**119,951**	**26,030**	**(16,149)**	**-**	**129,832**
Income tax					(41,061)
Profit (Loss) for the year from continuing operations					**88,771**
Profit (Loss) attributable to non-controlling interests					2,851
Profit (Loss) attributable to the Parent					**85,920**
ASSETS	**2,967,553**	**739,192**	**563,149**	**-**	**4,269,894**
LIABILITIES	**2,265,139**	**465,522**	**798,469**	**304**	**3,529,434**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	46,006	22,189	-	-	68,195

	2020 (Thousands of euros)				
Segmentation by business unit	**Rolling stock**	**Buses**	**General**	**Inter-segment**	**Total**
External sales	2,037,174	725,298	-	-	2,762,472
Inter-segment sales	1,971	-	-	(1,971)	-
Total sales	**2,039,145**	**725,298**	**-**	**(1,971)**	**2,762,472**
EBITDA	**134,247**	**67,243**	**-**	**-**	**201,490**
Depreciation and amortisation charge (Notes 7 and 8)	(65,517)	(23,977)	-	-	(89,494)
Impairment and gains or losses on disposals of non-current assets (expense) (Notes 7, 8 and 9)	11,089	(2,190)	-	-	8,899
EBIT	**79,819**	**41,076**	**-**	**-**	**120,895**
Financial loss	(40,908)	(10,439)	(16,292)	-	(67,639)
Share of net results of associates	(3,881)	(298)	-	-	(4,179)
Profit (Loss) before tax	**35,030**	**30,339**	**(16,292)**	**-**	**49,077**
Income tax					(38,824)
Profit (Loss) for the year from continuing operations					**10,253**
Profit (Loss) attributable to non-controlling interests					1,241
Profit (Loss) attributable to the Parent					**9,012**
ASSETS	**2,719,392**	**752,572**	**607,187**	**-**	**4,079,151**
LIABILITIES	**2,157,003**	**495,743**	**781,909**	**293**	**3,434,948**
Intangible asset and property, plant and equipment additions (Notes 7 and 8)	38,266	18,762	-	-	57,028

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):

	2021	2020
High Speed, Regional and Commuter	541,319	549,142
Metros	243,657	221,023
Trams and light metros	495,503	438,484
Bogies and other	6,875	13,338
Trains	**1,287,354**	**1,221,987**
Services (*)	**570,591**	**516,416**
Buses (**)	**720,852**	**725,298**
Integral Systems, Equipment and Other (***)	**363,888**	**298,771**
Total	**2,942,685**	**2,762,472**

(*) Mainly includes all revenues from maintenance services and concession agreements, and sales of railway spare parts.

(**) Includes, in addition to bus sales, revenue from after-sales services related to this segment (maintenance and spare parts).

(***) 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 2021 and 2020, including the most significant countries (those accounting for more than 5% of total sales), is as follows (in thousands of euros):

	2021	2020
Spain	322,470	274,698
The Netherlands	282,831	324,887
Germany	161,550	219,549
Italy	188,891	206,784
Poland	201,751	182,231
Belgium	189,789	142,670
Sweden	162,023	197,668
Other European Union	357,527	278,796
European Union	**1,866,832**	**1,827,283**
United Kingdom	314,219	292,130
Australia	162,664	164,888
Other	598,970	478,171
Rest of the world	**1,075,853**	**935,189**
Total	**2,942,685**	**2,762,472**

In 2021 and 2020 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 2021 and 2020 is as follows (in thousands of euros):

Geographical area	2021	2020
Spain	173,439	187,105
Poland (*)	89,208	90,068
Rest of the world	125,642	126,444
Total	**388,289**	**403,617**

(*) Includes buses leased under the operating lease model not in operation in that country.

7. INTANGIBLE ASSETS

a) Goodwill

Changes in goodwill in the years ended 31 December 2021 and 2020 were as follows:

2021

	Thousands of Euros			
	Balance at 31/12/20	**Changes in the scope of consolidation (Note 2-f)**	**Translation differences**	**Balance at 31/12/21**
BWB Holdings Limited	5,248	-	332	5,580
Solaris	87,152	-	(717)	86,435
Euromaint	10,168	-	(213)	9,955
Orbital	-	6,914	-	6,914
Other	771	-	-	771
Total	**103,339**	**6,914**	**(598)**	**109,655**

2020

	Thousands of Euros				
	Balance at 31/12/19	**Changes in the scope in consolidation (Note 2-f)**	**Impairment**	**Impairment 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
Total	**109,011**	**756**	**(192)**	**(6,236)**	**103,339**

In 2021 and 2020, the recoverability of the goodwill of the Solaris, BWB Holdings Limited and Euromaint sub-groups was tested.

The projections are prepared for each cash-generating unit on the basis of past experience and best available estimates, considering the time horizon that allows the business model to be normalised in each case. These estimates are consistent with the Company's business plans. The main components are:

– Earnings projections

– Investment and working capital projections

The main parameters used for this recoverability test, as well as the sensitivity analysis of the enterprise value of the companies to changes in the main assumptions in the model, are as follows:

2021

	Solaris	BWB Holdings Limited	Euromaint
Carrying amount at 01/01/21 (thousands of euros)	87,152	5,248	10,168
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	5	5	8
% of residual value to recoverable amount	76%	74%	79%
Long-term growth rate used	1.5%	2.0%	2.0%
Discount rate used (*)	8.7%	9.4%	8.0%

(*) Cash flows and discount rate used after taxes.

Sensitivity analysis			**2021**			
Amounts in thousands of Euros	**Solaris**		**BWB Holdings Limited**		**Euromaint**	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
Growth rate:	(46,993)	62,241	(1,400)	1,836	(9,805)	13,737
Discount rate:	107,337	(81,061)	3,128	(2,381)	25,269	(17,914)

2020

	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	5	5	7
% of residual value to recoverable amount	75%	81%	71%
Long-term growth rate used	1.5%	2%	2%
Discount rate used (*)	9.0%	9.4%	8.1%

(*) Cash flows and discount rate used after taxes.

Sensitivity analysis			**2020**			
Amounts in thousands of Euros	**Solaris**		**BWB Holdings Limited**		**Euromaint**	
	-100 bp	+100 bp	-100 bp	+100 bp	-100 bp	+100 bp
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)

The analysis revealed that the estimated value of the companies exceeds their carrying amount in the three cases, including in the worst-case sensitivity analysis shown above. Accordingly, no need was identified to recognise additional impairment in the consolidated financial statements for 2021 and 2020.

b) Other intangible assets

The changes in the year ended 31 December 2021 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
Cost at 31/12/20	**45,450**	**108,368**	**185,930**	**62,573**	**402,321**
Changes in the scope of consolidation	9,141	-	2,215	18	11,374
Additions or charge for the year	-	-	9,130	14,343	23,473
Disposals or reductions	-	-	(21,412)	(9,036)	(30,448)
Translation differences	412	(774)	(179)	(144)	(685)
Cost at 31/12/21	**55,003**	**107,594**	**175,684**	**67,754**	**406,035**
Accumulated depreciation at 31/12/20	**(7,753)**	**(12,457)**	**(112,365)**	**(31,926)**	**(164,501)**
Additions or charge for the year	(2,912)	(5,412)	(16,124)	(6,878)	(31,326)
Transfers	-	-	(719)	28	(691)
Disposals or reductions	-	-	17,740	9,016	26,756
Translation differences	(176)	139	64	38	65
Accumulated depreciation at 31/12/21	**(10,841)**	**(17,730)**	**(111,404)**	**(29,722)**	**(169,697)**
Impairment at 31/12/20	**-**	**-**	**(17,146)**	**(20)**	**(17,166)**
Recognised in 2021	-	-	-	-	-
Transfers in 2021	-	-	719	-	719
Disposals or reductions	-	-	2,771	20	2,791
Translation differences	-	-	-	-	-
Impairment at 31/12/21	**-**	**-**	**(13,656)**	**-**	**(13,656)**
Net – 31/12/21	**44,162**	**89,864**	**50,624**	**38,032**	**222,682**

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
Cost at 31/12/19	**45,625**	**114,262**	**193,161**	**54,330**	**407,378**
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)
Business combination	(589)	(7,566)	(1,253)	(603)	(10,011)
Cost at 31/12/20	**45,450**	**108,368**	**185,930**	**62,573**	**402,321**
Accumulated depreciation at 31/12/19	**(5,331)**	**(7,589)**	**(102,872)**	**(26,384)**	**(142,176)**
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
Business combination	208	615	283	325	1,431
Accumulated amortisation at 31/12/20	**(7,753)**	**(12,457)**	**(112,365)**	**(31,926)**	**(164,501)**
Impairment at 31/12/19	**-**	**-**	**(25,932)**	**(29)**	**(25,961)**
Recognised in 2020	-	-	(537)	-	(537)
Transfers in 2020	-	-	-	-	-
Disposals or reductions	-	-	9,311	9	9,320
Business combination	-	-	12	-	12
Impairment at 31/12/20	**-**	**-**	**(17,146)**	**(20)**	**(17,166)**
Net – 31/12/20	**37,697**	**95,911**	**56,419**	**30,627**	**220,654**

The research and development expenditure incurred in 2021 amounted to EUR 27,002 thousand (EUR 17,872 thousand were recognised in the consolidated statement of profit or loss and EUR 9,130 thousand were capitalised). Research and development costs incurred in 2020 amounted to EUR 25,823 thousand (EUR 14,789 thousand was recognised in the consolidated statement of profit or loss and EUR 11,034 thousand was capitalised). These amounts do not include basic engineering costs associated with contracts. In 2021, the Group derecognised development projects and recorded a loss of EUR 901 thousand.

The additions to "Development Expenditure" in 2021 correspond to the costs incurred in the development of new products, notably the development of highly automated signalling systems; hydrogen technologies as an alternative to diesel propulsion; virtual validation environments aimed at reducing costs and completion times for the commissioning of vehicles; the TCMS platform, for which localisation and driving optimisation applications have been developed; and the implementation of critical security functions. In 2019, the Company began the process of implementing the new ERP, and this project accounted for most of the additions to "Computer software" in 2021 and 2020. At 31 December 2021, the Group had investment commitments totalling EUR 31,373 thousand (31 December 2020: EUR 29,396 thousand), mainly for the new IT system, which is expected to be implemented 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 with a credit to "Impairment and gains/(losses) on disposals of non-current assets" in the 2020 consolidated statement of profit or loss.

At 2021 year-end, the Group had fully amortised intangible assets in use and/or whose technology was still being applied, amounting to EUR 68,709 thousand (31 December 2020: EUR 85,301 thousand).

The directors have analysed the relevant indicators to assess whether there are any indications of impairment in the Group's intangible assets at 31 December 2021 and believe that there are no indications of impairment beyond those already described in this note.

8. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

The detail of "Property, Plant and Equipment" is as follows (in thousands of euros):

	31/12/21	31/12/20
Property, plant and equipment	334,010	348,530
Right-of-use assets	54,279	55,087
Total	**388,289**	**403,617**

a) Property, plant and equipment

The changes in the year ended 31 December 2021 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) (Note 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
Cost at 31/12/20	**355,354**	**330,380**	**32,720**	**43,044**	**44,556**	**7,070**	**813,124**
Changes in the scope of consolidation (Note 2-f)	-	-	-	66	27	-	93
Additions	2,322	4,952	33	1,533	1,920	11,344	22,104
Transfers	1,727	4,200	-	953	1,343	(7,887)	336
Disposals or reductions	(1,273)	(1,324)	(5,797)	(470)	(1,060)	-	(9,924)
Translation differences	4,109	1,483	(228)	90	75	(111)	5,418
Cost at 31/12/21	**362,239**	**339,691**	**26,728**	**45,216**	**46,861**	**10,416**	**831,151**
Accumulated depreciation at 31/12/20	**(125,916)**	**(259,668)**	**(12,060)**	**(24,381)**	**(32,298)**	**-**	**(454,323)**
Additions or charge for the year	(9,593)	(14,208)	(4,194)	(4,802)	(3,323)	-	(36,120)
Transfers	(11)	(66)	-	(120)	21	-	(176)
Disposals or reductions	79	987	3,716	273	638	-	5,693
Translation differences	(841)	(1,210)	102	(61)	(154)	-	(2,164)
Accumulated depreciation at 31/12/21	**(136,282)**	**(274,165)**	**(12,436)**	**(29,091)**	**(35,116)**	**-**	**(487,090)**
Impairment losses at 31/12/20	**(6,148)**	**(2,488)**	**-**	**(502)**	**(1,133)**	**-**	**(10,271)**
Recognised in 2021	(28)	-	-	(12)	281	-	241
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Translation differences	(30)	-	-	2	7	-	(21)
Impairment losses at 31/12/21	**(6,206)**	**(2,488)**	**-**	**(512)**	**(845)**	**-**	**(10,051)**
Net balance at 31/12/21	**219,751**	**63,038**	**14,292**	**15,613**	**10,900**	**10,416**	**334,010**

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) (Note 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
Cost at 31/12/19	**362,403**	**335,771**	**40,420**	**37,731**	**44,093**	**9,356**	**829,774**
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)
Cost at 31/12/20	**355,354**	**330,380**	**32,720**	**43,044**	**44,556**	**7,070**	**813,124**
Accumulated depreciation at 31/12/19	**(119,232)**	**(253,633)**	**(10,976)**	**(22,913)**	**(30,434)**	**-**	**(437,188)**
Additions or charge for the year	(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
Accumulated depreciation at 31/12/20	**(125,916)**	**(259,668)**	**(12,060)**	**(24,381)**	**(32,298)**	**-**	**(454,323)**
Impairment at 31/12/19	**(6,205)**	**(3,035)**	**-**	**(695)**	**(515)**	**-**	**(10,450)**
Recognised in 2020	-	-	-	(230)	(665)	-	(895)
Transfers							
Disposals	-	547	-	418	-	-	965
Translation differences	57	-	-	5	47	-	109
Impairment losses at 31/12/20	**(6,148)**	**(2,488)**	**-**	**(502)**	**(1,133)**	**-**	**(10,271)**
Net balance at 31/12/20	**223,290**	**68,224**	**20,660**	**18,161**	**11,125**	**7,070**	**348,530**

In 2021, the most significant investments were aimed at the modernisation and transformation of the production model, affecting all the manufacturing phases of the railway production plants, highlighting the expansion of the plant located in the French town of Bagnères-de-Bigorre through the remodelling of the logistics and testing areas. A further highlight was the investment made in the bus business to increase the production capacity of its production facilities. 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 in Spain 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.

At year-end 2021 and 2020, "Transport equipment (leasing)" included buses under operating leases (as indicated in Note 3-f) with a net carrying amount of EUR 14,292 thousand (2020: EUR 20,660 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 2021, the Group had firm capital expenditure commitments amounting to approximately EUR 2,232 thousand, mainly related to the adaptation of certain facilities and purchase of machinery located mainly in Spain and Poland (31 December 2020: EUR 2,542 thousand mainly in Spain and Poland).

The consolidated companies take out insurance policies to adequately cover their property, plant and equipment. At 31 December 2021 and 2020, the insurance policies taken out covered the carrying amount of the property, plant and equipment at those dates.

At 31 December 2021, the gross cost of fully depreciated assets in use amounted to approximately EUR 338,146 thousand (31 December 2020: EUR 310,476 thousand).

The losses recognised on property, plant and equipment disposals in 2021 amounted to approximately EUR 530 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 (2020: losses of EUR 190 thousand). In 2021 the Group sold items of property, plant and equipment amounting to EUR 1,620 thousand (2020: EUR 1,273 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 2021, the net amount of the grants received not yet allocated to profit or loss totalled EUR 2,340 thousand (31 December 2020: EUR 2,577 thousand). EUR 225 thousand were allocated to profit or loss in this connection in 2021 (2020: EUR 200 thousand), and this amount was recognised under "Depreciation and Amortisation Charge" in the accompanying consolidated statement of profit or loss.

The directors consider that after evaluating the indicators used to assess whether there was any evidence of impairment in the Group's assets at 31 December 2021 —which essentially involve analysing the order book and assigning orders to the manufacturing run at each of the Group's production plants, while also analysing the valuations performed by independent experts— there is no evidence of impairment beyond those already described in this note.

b) Right-of-use assets

The detail of and changes in "Right-of-Use Assets" in 2021 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**
Cost at 31/12/20	**53,716**	**26,801**	**6,995**	**1,286**	**88,798**
Changes in the scope of consolidation (Note 2-f)	375	-	54	-	429
Additions	10,453	8,766	3,083	316	22,618
Transfers	15	27	25	-	67
Disposals or reductions	(3,087)	(5,841)	(930)	(402)	(10,260)
Translation differences	753	(476)	171	54	502
Cost at 31/12/21	**62,225**	**29,277**	**9,398**	**1,254**	**102,154**
Accumulated depreciation at 31/12/20	**(18,262)**	**(11,512)**	**(3,110)**	**(827)**	**(33,711)**
Additions	(9,515)	(7,540)	(2,360)	(280)	(19,695)
Transfers	-	(42)	(25)	-	(67)
Disposals or reductions	1,763	2,879	875	345	5,862
Translation differences	(393)	233	(67)	(37)	(264)
Accumulated depreciation at 31/12/21	**(26,407)**	**(15,982)**	**(4,687)**	**(799)**	**(47,875)**
Net balance at 31/12/20	**35,454**	**15,289**	**3,885**	**459**	**55,087**
Net balance at 31/12/21	**35,818**	**13,295**	**4,711**	**455**	**54,279**

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
Cost at 31/12/19	**51,946**	**28,498**	**7,827**	**1,093**	**89,364**
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)
Cost at 31/12/20	**53,716**	**26,801**	**6,995**	**1,286**	**88,798**
Accumulated depreciation at 31/12/19	**(9,593)**	**(8,529)**	**(3,681)**	**(434)**	**(22,237)**
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
Accumulated depreciation at 31/12/20	**(18,262)**	**(11,512)**	**(3,110)**	**(827)**	**(33,711)**
Net balance at 31/12/19	**42,353**	**19,969**	**4,146**	**659**	**67,127**
Net balance at 31/12/20	**35,454**	**15,289**	**3,885**	**459**	**55,087**

The Group leases various assets, including land, buildings, transport equipment and machinery. The average lease term of right-of-use assets for land and buildings is 11 years. 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.

The main additions in 2021 relate to the rental of a building for office use and a warehouse for Solaris, as well as the rental of technical installations and machinery, mainly for Euromaint. Also, there were no transactions relating to subleases to non-Group third parties and no sale & leaseback agreements.

In 2021, a loss of EUR 87 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 (2020: a loss of EUR 1,038 thousand).

Amounts recognised in profit or loss statement

	Thousands of Euros	
	2021	**2020**
Depreciation of the right-of-use assets	19,695	21,442
Interest expense on the financial liability	2,628	3,114
Short-term or low-value asset lease expense	9,407	6,427

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 2021 and 2020 in "Investments Accounted for Using the Equity Method" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Beginning balance	**(829)**	**7,807**
Amounts charged to profit or loss	2,953	(4,179)
Hedges (Notes 17 and 26)	14,987	(1,528)
Additions	2,424	-
Disposals	(5,437)	(2,704)
Translation differences	551	(225)
Ending balance	**14,649**	**(829)**
Registered under assets	17,073	7,370
Registered in liabilities (Notes 20 and 26)	(2,424)	(8,199)

Relevant information on the investments in significant associates accounted for using the equity method is as follows (in thousands of euros):

2021

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Revenues	Profit (Loss) of the Parent	Other comprehensive income
Associates:									
Arabia One for Clean Energy Invest. PSC. (2)	16,768	2,845	14,271	1,009	4,333	-	2,959	250	298
Great River City Light Rail Pty Ltd	1,951	5,603	-	7,341	213	-	53,065	37	3
Plan Metro, S.A. (2)	288,896	6,673	303,845	38,444	(46,720)	-	60,123	2,379	-
Consorcio Traza, S.A. (2)(3)	204,808	40,766	249,611	6,495	(10,531)	(6,366)	22,045	(2,158)	1,281
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	68,736	24,223	142,343	25,542	(74,926)	-	25,135	(12,437)	(3,679)
Joint ventures:									
Ferrocarril Interurbano, S.A. de C.V.	44	23,666	-	17,218	6,492	-	3,187	(292)	254
Momentum Trains Holding Pty Ltd (2)	208,550	19,496	216,895	20,657	(9,506)	-	46,906	(4,222)	26,868
CFIR Light Rail Ltd (2)	143,650	229,981	278,665	89,278	5,488	-	160,873	5,638	417
LAVI Light Rail O&M Ltd	24,247	20,674	5,186	22,645	17,090	-	24,898	1,314	15,776

Name	Equity	% of share capital	Equity attributable to CAF Group	Investment accounted for using the equity method	Recognised profit (loss)
Associates:					
Arabia One for Clean Energy Investments PSC. (2)	4,333	40	1,733	1,733	100
Great River City Light Rail Pty Ltd	213	30	64	64	11
Plan Metro, S.A. (2)	(46,720)	40	(18,688)	-	-
Consorcio Traza, S.A. (2) (3)	(10,531)	25	(2,633)	-	(320)
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	(74,926)	43.35	(32,480)	-	-
Joint ventures:					
Ferrocarril Interurbano, S.A. de C.V.	6,492	49.63	3,222	3,222	(145)
Momentum Trains Holding Pty Ltd (2)	(9,506)	25.50	(2,424)	(2,424)	(1,077)
CFIR Light Rail Ltd (2)	5,488	50	2,744	2,744	2,819
LAVI Light Rail O&M Ltd	17,090	50	8,545	8,545	657
Other investments (4)	-	-	765	765	908
			(39,152)	**14,649**	**2,953**

(1) After adjustments and unifying entries for consolidation purposes (in thousands of Euros).

(2) The shares of these companies are pledged to certain banks. In addition, these companies hold collateral bank balances in favour of certain financial institutions and must comply with a number of covenants.

(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 2021, the loans granted and the invoices issued as advances to Ferrocarril Interurbano, S.A. de C.V. by the companies that make up the Consortium and hold a stake in that company were capitalised. Following this capitalisation, the percentages of participation of each consortium member have been maintained, while the participation in the CAF Group has increased by EUR 2,424 thousand.

Also in 2021, the investment accounted for using the equity method in Orbital Sistemas Aeroespaciales, S.L. was derecognised as the entire stake was acquired by the CAF Group (Note 2-f).

2020

Name	Basic financial data (1)								
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity of the Parent	Non-controlling interests	Revenues	Profit (Loss) of the Parent	Other comprehensive income
Associates:									
Arabia One for Clean Energy Invest. PSC. (2)	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)	-
Plan Metro, S.A. (2)	259,907	8,053	288,184	35,241	(49,099)	-	58,250	4,451	-
Consorcio Traza, S.A. (2)(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. (2)	52,447	20,302	109,938	21,621	(58,810)	-	23,123	(59,086)	276
Joint ventures:									
Momentum Trains Holding Pty Ltd (2)	168,207	4,540	146,032	58,867	(32,152)	-	44,443	5,808	(7,064)
CFIR Light Rail Ltd (2)(5)	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)
Associates:					
Arabia One for Clean Energy Investments PSC. (2)	3,785	40	1,514	1,514	126
Orbital Sistemas Aeroespaciales, S.L.	18,336	30	5,501	5,501	(284)
Plan Metro, S.A. (2)	(49,099)	40	(19,640)	-	-
Consorcio Traza, S.A. (2)(3)	(9,654)	25	(2,414)	-	(4,585)
Ferrocarriles Suburbanos, S.A.P.I. de C.V. (2)	(58,810)	43.35	(25,494)	-	-
Other investments (4)	-	-	52	52	34
Joint ventures:					
Momentum Trains Holding Pty Ltd (2)	(32,152)	25.50	(8,199)	(8,199)	1,481
CFIR Light Rail Ltd (2)(5)	(567)	50	(284)	(284)	(283)
Other investments(4)	-	-	587	587	(668)
			(48,377)	**(829)**	**(4,179)**

(1) After adjustments and unifying entries for consolidation purposes (in thousands of euros).

(2) This company's shares are pledged to certain banks. In addition, these companies hold collateral bank balances in favour of certain financial institutions and must comply with a number of covenants.

(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.

(5) Company formerly known as TransJerusalem J-NET Ltd.

In 2020, Consorcio Traza, S.A. 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 amid COVID-19.

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 2021, the unrecognised losses exceeding the cost of the investment amounted to EUR 46,543 thousand (31 December 2020: EUR 39,715 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 (Note 26).

The Company also holds a 50% stake in CFIR Light Rail Ltd, and there is a commitment to make a further contribution in 2027 —either in the form of capital or as a subordinated loan— for approximately EUR 21 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			
	31/12/21		31/12/20	
	% of ownership	Amount	% of ownership	Amount
Equity instruments				
Alquiler de Trenes, A.I.E.	-	-	5%	3.150
Ferromovil 3000, S.L.	10%	13,386	10%	11,562
Plan Azul 07, S.L.	5.20%	3,775	5.20%	3,571
Arrendadora de Equipamientos Ferroviarios, S.A.	15%	5,000	15%	5,590
Iniciativa FIK, A.I.E.	14.18%	751	14.18%	751
Albali Señalización, S.A.	3%	527	3%	558
Leo Express Global, A.S.	5%	913	-	-
Other		113		46
Total equity instruments		**24,465**		**25,228**
Other financial assets				
Amortised cost				
Guarantees and other financial assets		11,796		11,934
Loans to employees		3,314		3,753
Non-current tax receivables (Note 19)		26,948		28,244
Non-current trade receivables and loans		340,514		338,104
Loans to associates (Note 10)		32,714		30,605
		415,286		**412,640**
Provisions				
Provision for tax payables (Note 19)		(7,690)		(6,462)
Impairment losses		(2,159)		(2,338)
		(9,849)		**(8,800)**
Total other financial assets		**405,437**		**403,840**
Total		**429,902**		**429,068**

In 2021, the company Alquiler de Trenes, A.I.E. was liquidated. Additionally, subsidiary company EuroMaint Gruppen AB acquired 5% of the capital of Leo Express Global A.S. through a capital increase.

The changes in the non-current financial assets in 2021 and 2020 were as follows:

	Thousands of Euros			
	Equity instruments	Other financial assets		
		Amortised cost	Provisions	Total
Balance at 31/12/19	**24,911**	**525,663**	**(12,271)**	**538,303**
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-m)	-	(119,560)	-	(119,560)
Disposals or reductions	(216)	(10,995)	-	(11,211)
Balance at 31/12/20	**25,228**	**412,640**	**(8,800)**	**429,068**
Changes in the scope of consolidation	-	54	-	54
Changes in fair value with a charge to reserves	96	-	-	96
Translation differences	(9)	14,369	(97)	14,263
Additions	922	99,503	-	100,425
Charges to profit or loss for the year	-	-	(1,004)	(1,004)
Transfers (Note 3-m)	67	(108,841)	52	(108,722)
Disposals or reductions	(1,839)	(2,439)	-	(4,278)
Balance at 31/12/21	**24,465**	**415,286**	**(9,849)**	**429,902**

c) Other financial assets

The detail, by maturity, of "Other Financial Assets" is as follows (in thousands of euros):

2021

	2023	2024	2025	2026 and subsequent years	Total
Assets at amortised cost	127,576	117,133	84,180	76,548	405,437
Total	**127,576**	**117,133**	**84,180**	**76,548**	**405,437**

2020

	2022	2023	2024	2025 and subsequent years	Total
Assets at amortised cost	103,169	108,112	92,097	100,462	403,840
Total	**103,169**	**108,112**	**92,097**	**100,462**	**403,840**

Guarantees and other financial assets

These are mainly guarantees linked to the financial debt of subsidiary company Ctrens-Companhia Manutençao, S.A. (Note 16) for a total of EUR 8,934 thousand (31 December 2020: EUR 8,432 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 scantly material.

Non-current tax receivables

At 31 December 2021, the Group had a total of EUR 26,948 thousand recognised under "Non-current financial assets – Other financial assets" in respect of receivables from foreign public authorities for value added tax equivalent (31 December 2020: EUR 28,244 thousand), with translation differences generating an increase of EUR 273 thousand in 2021 (decrease of EUR 11,947 thousand in 2020).

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 2021, the Group had a total provision of EUR 7,690 thousand (31 December 2020: EUR 6,462 thousand) to bring the nominal value of these receivables to their recoverable amount, having posted EUR 1,151 thousand in 2021 (2020: reversal of EUR 89 thousand), as charged to "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss. Translation differences led to an increase in the provision in the amount of EUR 77 thousand in 2021 (2020: reduction of EUR 2,686 thousand).

Non-current trade receivables and loans

The detail of "Non-Current Trade Receivables and Loans" at 31 December 2021 and 2020 is as follows (in thousands of euros):

	31/12/21	31/12/20
Concessions – Financial assets	311,007	313,887
Other non-current trade receivables and loans	29,507	24,217
Total	**340,514**	**338,104**

Concessions – Financial assets

On 19 March 2010, the Group company Ctrens-Companhía de Manutençao, 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 22.5 million at 31 December 2021 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 relies on a bank guarantee to secure the full and timely performance of its obligations to CPTM (Note 26-a). At 31 December 2021, this guarantee amounted to BRL 46,138 thousand (EUR 7,313 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 2021 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 2021 the Group recognised balances of EUR 311,007 under "Non-current financial assets – Other financial assets" (31 December 2020: EUR 313,887 thousand) and EUR 97,704 thousand under "Trade and other receivables – Other receivables" (31 December 2020: EUR 89,559 thousand) relating to construction activities and services performed to date, net of billings made. There were no investing activities in this regard in 2021 or 2020.

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 aspect has been taken into account 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.

On 3 May 2021, there was an interruption in the operation of Line 12 of the Mexico City Metro, where the Group, through a subsidiary, provides maintenance services for the trains in operation there. The service interruption was caused by the collapse of a section of the line for reasons not attributable to the CAF Group. At the date of authorisation for issue of these consolidated annual financial statements, the Mexican authorities are in the process of investigating the events that occurred. The line is now undergoing repair work ahead of its reopening and the counterparty is in negotiations with the Group to reach an agreement on the economic effects of the temporary line closure. The contract envisioned a possible suspension and the parties have availed themselves of this option by signing an agreement to temporarily suspend the effects of the contract. This agreement states that the base remuneration must continue to be paid by the Metro, while the variable remuneration will be temporarily suspended until the passenger transport service is fully or partially resumed or until 13 June 2022 at the latest.

Other non-current trade receivables and loans

In 2021 and 2020, long-term collection schedules were established with customers in the Buses segment, and an amount of EUR 20,572 thousand was recognised in this connection under this heading in the accompanying consolidated balance sheet (31 December 2020: EUR 21,544 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.

In addition, the Group recognised EUR 7,048 thousand in non-current subsidies receivable.

10. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances and transactions with associates

The detail of the transactions performed with associates that were not eliminated on consolidation (Note 2-f) is as follows:

	Thousands of Euros					
	2021			2020		
Company	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**	**Services provided or sales recognised**	**Services received or purchases recognised**	**Finance income**
Plan Metro, S.A.	13,472	-	2,314	12,972	-	2,148
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	13,309	17	-	12,172	19	-
Ferrocarril Interurbano, S.A. de C.V.	12,305	-	-	12,450	-	-
Momentum Trains Holding Pty. Ltd.	73,984	-	-	107,958	-	-
CFIR Light Rail, Ltd.	64,541	-	-	20,591	-	-
Great River City Light Rail Pty. Ltd.	81,982	-	4	53,304	-	-
LAVI Light Rail O&M Ltd.	12	-	40	-	-	-
Other	-	8	30	-	150	35
Total	**259,605**	**25**	**2,388**	**219,447**	**169**	**2,183**

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 2021, those performed in previous years and the advances granted, the Group's main balances with investees that were not fully consolidated at 31 December 2021 and 2020 were as follows:

	Thousands of Euros							
	31/12/21				31/12/20			
Company	**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-b)**
Plan Metro, S.A.	-	-	(1,426)	32,320	-	-	(1,221)	30,006
Ferrocarriles Suburbanos, S.A.P.I. de C.V.	4,037	753	50	-	1,793	23	(224)	-
Ferrocarril Interurbano, S.A. de C.V.	2,776	36	(23,988)	-	6,234	27	(20,669)	-
Momentum Trains Holding Pty. Ltd.	-	-	(75,113)	-	92	1	(38,244)	-
CFIR Light Rail, Ltd.	1,137	-	112,573	-	103	-	54,007	-
Great River City Light Rail Pty. Ltd.	190	-	(70,235)	-	-	-	(35,508)	-
LAVI Light Rail O&M Ltd.	1,889	-	-	-	-	-	-	-
Other	-	-	-	394	8	-	-	599
Total	**10,029**	**789**	**(58,139)**	**32,714**	**8,230**	**51**	**(41,859)**	**30,605**

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 a set maturity date of 2029 and collection is sufficiently guaranteed with collateral. 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 2,314 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 (2020: EUR 2,148 thousand).

b) Balances and transactions with shareholders

At 31 December 2021, the Group had the following financial transactions outstanding with shareholders holding 10% or more of the voting rights:

		Thousands of Euros	
Shareholder	**Type of transaction**	**Amount of transaction**	**Balance drawn at 31/12/21**
Kutxabank, S.A.	Bank loans	40,000	38,000
Kutxabank, S.A.	Credit accounts	35,000	-
Kutxabank, S.A.	Bank guarantees	130,000	91,765

In addition, in 2021 the Group entered into non-recourse factoring transactions with Kutxabank, S.A. and other subsidiaries of Bilbao Bizkaia Kutxa Fundación Bancaria amounting to EUR 34,411 thousand and arranged professional services amounting to EUR 22 thousand.

11. INVENTORIES

The detail of "Inventories" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Trains, traction equipment, civil engineering, signalling	22,961	23,893
Spare parts, components and other	252,747	250,884
Rolling stock	**275,708**	**274,777**
Buses	**211,116**	**206,892**
Total	**486,824**	**481,669**

At 31 December 2021, the Group had posted an impairment provision of EUR 37,190 thousand (31 December 2020: EUR 34,448 thousand).

At 31 December 2021, the Group had firm raw materials purchase commitments amounting to approximately EUR 651,928 thousand (31 December 2020: EUR 720,611 thousand).

The consolidated companies take out insurance policies to adequately insure their inventories. At 31 December 2021 and 2020, the insurance policies taken out covered the carrying amount of the inventories at those dates.

12. TRADE AND OTHER RECEIVABLES

a) Trade receivables for sales and services

The detail of "Trade Receivables for Sales and Services" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Trade receivables - in euros	829,007	854,211
Trade receivables - in foreign currency	704,384	522,711
Write-downs	(21,999)	(19,786)
Total	**1,511,392**	**1,357,136**

The detail of this heading, by trade receivables and contract assets, is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Contract assets (Note 3-g)	1,004,812	813,859
Customers billed	528,579	563,063
Write-downs	(21,999)	(19,786)
Total	**1,511,392**	**1,357,136**

Contract assets and liabilities

The aggregate balance and change in contract assets and liabilities in 2021 and 2020 are as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Current contract assets	1,004,812	813,859
Current contract liabilities (Note 19)	(746,804)	(807,549)
Non-current contract liabilities (Note 21)	(65,889)	(65,394)
Net balance	**192,119**	**(59,084)**

	Thousands of Euros
Balance at 31/12/19	**(90,849)**
Changes in measure of progress	1,677,412
Billings	(1,667,152)
Penalties applied	24,734
Translation differences	(3,362)
Reclassifications and other	133
Balance at 31/12/20	**(59,084)**
Changes in measure of progress	1,842,691
Billings	(1,621,773)
Penalties applied	32,320
Translation differences	(1,396)
Reclassifications and other	(639)
Balance at 31/12/21	**192,119**

EUR 546,494 thousand of "Current Contract Liabilities" at 31 December 2020 were recognised as revenue in 2021 (2020: EUR 612,769 thousand). Moreover, no significant revenue was recognised for performance obligations satisfied in prior periods.

The Group also recognised a total of EUR 241,349 thousand under "Trade and other payables — Suppliers" in the accompanying consolidated balance sheet as costs for the provision of services related to train construction contracts, such expenses being accrued based on the measure of progress (31 December 2020: EUR 232,568 thousand).

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). 29% of that amount is expected to be recognised under "Revenue" in 2022, 23% in 2023 and the remainder in 2024 and subsequent years.

The provisions for third-party liabilities reducing "Contract Assets" amounted to EUR 23,548 thousand at 31 December 2021 (31 December 2020: EUR 56,992 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 2021 amounted to EUR 13,848 thousand (31 December 2020: EUR 76,746 thousand).

At 31 December 2021, the balances billed included EUR 28,838 thousand (31 December 2020: 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.

On 1 June 2021, the UTE CSM joint venture requested payment of the full maximum indemnifiable amount, given that on that date all the objective conditions for reporting a claim under the aforementioned insurance policy had been met. The credit insurance policy states that the term of payment of the requested indemnity is six months from the time the insurer receives the documentation that it requires in relation to the claim following the established procedures. The insurance company is now finalising its review of all the required documentation, which the joint venture has already delivered. At the date of authorisation for issue of these consolidated financial statements, the joint venture had collected EUR 29.8 million, equivalent to 50% of the indemnity, with the average collection period for the remaining amount being less than one year and recognised under "Trade receivables for sales and services" in the accompanying consolidated balance sheet.

At 31 December 2021, 32% of the billed receivables related to the top five customers (31 December 2020: 27%). "Trade Receivables" includes retentions at 31 December 2021 amounting to EUR 10,070 thousand (31 December 2020: EUR 6,611 thousand).

The past-due balances recognised under "Trade and Other Receivables" at 31 December 2021 and 2020 in addition to the past-due balances with Metro de Caracas are as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Past due > 90 days	35,140	15,174
Past due > 180 days	128,358	133,654
Total	**163,498**	**148,828**

Approximately 47% of this balance is concentrated in two countries and four agreements in relation to which the Group is implementing active collection management measures, although no significant losses beyond those provisioned for are expected.

- At 31 December 2021, the Group had recognised a total of EUR 42,234 thousand (31 December 2020: EUR 39,764 thousand) corresponding to billed and unbilled balances receivable under contracts already performed that had yet to be collected after securing arbitration awards favourable to the Group and with subsequent favourable judgments.
- At 31 December 2021, the Group had recognised an amount of EUR 42,182 thousand (same amount at year-end 2020) relating to billed and unbilled balances pending collection in respect of a dispute with a customer for a project in which

there are cross claims for delays in meeting 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 the date of authorisation for issue of these financial statements, two expert reports analysing the alleged delays have been issued as part of the legal proceedings and the proceedings are now awaiting a decision by the court.

– At 31 December 2021, 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 2020: EUR 8.9 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 2021 and 2020 were as follows:

2021

	Thousands of Euros
Balance at 31/12/20 (Nota 2-f)	**19,786**
Translation differences	211
Amount used	(873)
Provisions reversed with a credit to “Other Operating Expenses”	3,071
Reclassifications	(196)
Balance at 31/12/21	**21,999**

2020

	Thousands of Euros
Balance at 31/12/19 (Note 2-f)	**19,130**
Translation differences	(2,059)
Amount used	(1,936)
Provisions reversed with a credit to “Other Operating Expenses”	4,393
Reclassifications	258
Balance at 31/12/20	**19,786**

b) Other receivables

The breakdown of the heading "Other receivables" was as follows at 31 December 2021 and 2020:

	Thousands of Euros	
	31/12/21	**31/12/20**
Concessions (Note 9-c)	97,704	89,559
Other taxes receivable	65,257	74,682
Employee receivables	2,541	1,871
Sundry accounts receivable	2,939	4,682
Total	**168,441**	**170,794**

Other taxes receivable

At 31 December 2021, the Group had EUR 60,247 thousand and EUR 3,107 thousand in value added tax receivable and grants, respectively (31 December 2020: EUR 62,881 thousand and EUR 10,333 thousand, respectively).

13. OTHER CURRENT FINANCIAL ASSETS

The detail of "Other Current Financial Assets" at 31 December 2021 and 2020 is as follows:

2021

	Thousands of Euros		
Financial assets: type/category	**At amortised cost**	**At fair value through profit or loss**	**Total**
Current financial assets	42,583	86,078	128,661
Other financial assets	2,711	-	2,711
Short-term/current	**45,294**	**86,078**	**131,372**

2020

	Thousands of Euros		
Financial assets: type/category	**At amortised cost**	**At fair value through profit or loss**	**Total**
Current financial assets	40,539	61,097	101,636
Other financial assets	364	-	364
Short-term/current	**40,903**	**61,097**	**102,000**

"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 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 2021 the Group recognised income in this connection and in relation to the cash surpluses amounting to EUR 2,535 thousand (2020: EUR 2,585 thousand).

14. EQUITY

a) Share capital of the Parent

At both 31 December 2021 and 2020, the Parent's share capital was represented by 34,280,750 fully subscribed and paid shares each with a par value of EUR 0,301, all represented in book entry form and all listed on the stock exchange.

At 31 December 2021 and 2020, the following companies or entities had notified the Spanish National Securities Market Commission (CNMV) that they held voting rights of more than 3% of the Company's share capital:

	% 2021	% 2020
Cartera Social, S.A. (1)	24.20%	24.56%
Kutxabank, S.A. (2)	14.06%	14.06%
Indumenta Pueri S.L.(3)	5.02%	5.02%
Daniel Bravo Andreu (4)	5.00%	5.00%
Norges Bank	-	3.26%
Santander Asset Management, S.A. S.G.I.I.C. (5)	3.07%	-

(1) The shareholders of this company are employees of the Parent

(2) Kutxabank S.A. holds the direct ownership interest, although the indirect holder is Bilbao Bizkaia Kutxa Fundación Bancaria, which controls Kutxabank S.A.

(3) 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.

(4) Daniel Bravo Andreu holds indirect ownership interest, although the direct holder is Danimar 1990, S.L.

(5) Santander Asset Management, 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 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 resolution superseded and rendered null and void the resolution previously adopted at the Annual General Meeting of the Company held on 7 June 2014. No convertible securities have been issued from the date of that resolution through to the date of authorisation for issue of these consolidated financial statements.

In addition, the Annual General Meeting held on 13 June 2020 vested powers in the Board of Directors to acquire treasury shares for a period of five years running from that date. This authorisation superseded and rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 13 June 2015. No treasury shares have been issued from the date of that resolution through to the date of authorisation for issue of these consolidated financial statements.

In addition, the Annual General Meeting of Shareholders held on 5 June 2021 authorised the Board of Directors to increase share capital on one or more occasions, over a period of five years from that date, and subject to a cap of half of the share capital at the time of the authorisation, including the power to disapply pre-emptive subscription rights, if the Company's interest so requires and without such exclusion exceeding 20% of the share capital at the time of the authorisation. This authorisation superseded and rendered null and void the powers previously granted to the directors at the Annual General Meeting held on 2 June 2018. No capital increases have been carried out from the date of that resolution through to the date of authorisation for issue of these consolidated financial statements.

b) Share premium

The share premium account balance has no specific restrictions on its use.

c) 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 2021 and 2020 the balance of this reserve had reached the legally required minimum.

d) Restricted and unavailable reserves

In the separate financial statements of the consolidated companies, there were reserves totalling EUR 87,416 thousand and EUR 92,983 thousand at 31 December 2021 and 2020, respectively and approximately, corresponding to the legal reserve, balance sheet revaluation reserve and reserve for depreciated capital and others, which are considered restricted and unavailable, respectively. 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 2021 year-end EUR 61,928 thousand of the reserves were restricted as to their use (2020 year-end: EUR 66,774 thousand).

e) Dividends of the Parent

On 6 October 2021, the Board of Directors resolved to distribute an interim dividend against 2021 earnings in the amount of EUR 13.7 million. At 31 December 2021, the Parent had recognised that amount under "Interim dividend" in the accompanying consolidated balance sheet. It was subsequently paid in January 2022.

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 was distributed with a charge to voluntary reserves. At 31 December 2020, the Parent had 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 (Note 15).

f) Translation differences

The breakdown, by company, of "Translation Differences" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
CAF México, S.A. de C.V.	(1,344)	(2,643)
CAF Brasil Indústria e Comércio, S.A.	(57,867)	(57,831)
Construcciones y Auxiliar de Ferrocarriles Argentina, S.A.	(3,103)	(3,073)
CAF USA, Inc.	(190)	(3,702)
Construcción, Mantenimiento, Ferrovías y Subsistemas, S.A. de C.V.	(2,815)	(3,506)
CAF Turk Tren Sanayí Ve Tícaret Límíted Sírketí	(2,977)	(2,159)
CAF Argelia (EURL)	(908)	(942)
CAF India Private Limited	(1,410)	(1,889)
Ctrens Companhia de Manutençao, S.A.	(124,660)	(125,084)
Provetren, S.A. de C.V.	1,260	1,207
Solaris Bus & Coach, sp. z.o.o.	(16,528)	(14,269)
CAF Group UK Limited	258	(2,313)
CAF Rolling Stock UK Limited	1,562	1,591
Euromaint Gruppen AB	2,888	4,339
Euromaint Rail AB	(375)	(853)
Other companies	2,842	(404)
Total	**(203,367)**	**(211,531)**

g) Non-controlling interests

The detail of "Equity - Non-Controlling Interests" in the accompanying consolidated balance sheets and of the changes there in 2021 and 2020 is as follows:

	Thousands of Euros
Balance at 31 December 2019	**12,130**
Profit attributable to non-controlling interests	1,241
Translation differences	(423)
Transactions with non-controlling shareholders	(893)
Dividends	(821)
Balance at 31 December 2020	**11,234**
Profit attributable to non-controlling interests	2,851
Translation differences	(72)
Dividends	(215)
Balance at 31 December 2021	**13,798**

h) 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 allows the Group to create value for shareholders by accessing the 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 Group's business activities.

The directors of the CAF Group consider that the fact that the leverage ratio with recourse to the Parent is minimal is a good indicator that the objectives set are being achieved. They also believe that the Group's credit quality is commensurate to 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 2021 and 2020, 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 gross/net financial debt to equity:

	Thousands of Euros	
	31/12/21	**31/12/20**
Net financial debt:		
Payment deferrals with public entities (Note 19)	513	5,229
Interest-bearing refundable advances (Note 15)	8,143	10,021
Bank borrowings - Non-current liabilities (Note 16)	675,569	808,849
Bank borrowings and debt instruments – Current liabilities (Note 16)	282,703	170,760
Gross financial debt	**966,928**	**994,859**
Financial assets - Non-current assets (Note 9-c)	(8,872)	(8,432)
Current financial assets (Note 13)	(128,661)	(101,636)
Cash and cash equivalents	(551,372)	(573,928)
Net financial debt	**278,023**	**310,863**
Equity:		
Attributable to the Parent	726,662	632,969
Non-controlling interests	13,798	11,234
	740,460	**644,203**

15. OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND OTHER OBLIGATIONS

The detail of the Group's financial liabilities at 31 December 2021 and 2020, by type and category for measurement purposes, is as follows:

	Thousands of Euros					
	31/12/21			31/12/20		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Refundable advances	26,988	9,646	36,634	31,458	11,111	42,569
Employee benefit obligations (Note 23)	2,883	-	2,883	2,847	-	2,847
Share purchase liabilities	6,312	3,804	10,116	4,184	3,804	7,988
Payable to non-current asset suppliers (Note 8)	-	5,102	5,102	-	3,976	3,976
Obligations under finance leases (Note 8-b)	39,310	17,194	56,504	39,114	17,882	56,996
Dividend payable (Note 14-e)	-	12,381	12,381	-	25,616	25,616
Other	1,113	580	1,693	1,012	123	1,135
Total	**76,606**	**48,707**	**125,313**	**78,615**	**62,512**	**141,127**

The detail, by maturity in the coming years, of other non-current financial liabilities is as follows (in thousands of euros):

2021

	Interest	Principal
2023	58	28,573
2024	43	14,943
2025	29	9,082
2026	14	6,278
2027 and subsequent years	1	29,817
Total	**145**	**88,693**
Accruals and discounting		(12,087)
Total carrying amount		**76,606**

2020

	Interest	Principal
2022	85	22,295
2023	58	21,689
2024	43	9,810
2025	29	6,165
2026 and subsequent years	15	32,642
Total	**230**	**92,601**
Accruals and discounting		(13,986)
Total carrying amount		**78,615**

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.

Employee benefit obligations

The Group has recognised its future obligations to employees who have entered into pre-retirement plans. At 31 December 2021, "Non-current financial liabilities – Other financial liabilities" and "Trade and other payables – Other payables" in the accompanying consolidated balance sheet include amounts of EUR 2,883 thousand and EUR 2,309 thousand (31 December 2020: EUR 2,847 thousand and EUR 2,649 thousand), respectively, in relation to the present value estimated by the directors of future payments to be made to employees who had relief contracts in effect as at December 2021. The net provision for 2021 was recognised with a charge of EUR 2,590 thousand (2020: EUR 2,745 thousand) to "Staff Costs" in the accompanying consolidated statement of profit or loss (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 2021 and 2020, is as follows (Note 3-j):

	Thousands of Euros	
	31/12/21	**31/12/20**
Present value of the obligations assumed	44,799	59,430
Less – Fair value of plan assets	(41,808)	(58,989)
Other current (assets) liabilities, net	**2,991**	**441**

The present value of the obligations assumed 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	**2021**	**2020**
Discount rate	0.85%-1.02%	0.72%-0.73%
Mortality tables	PERM/F/2012	PERM/F/2000P
Annual salary or pension increase rate	0.8%-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 certain financial parameters of both companies on the date the options are exercised. The variable consideration payable for the acquisition of 100% of Orbital Sistemas Aeroespaciales, S.L. is also recognised there (Note 2-f).

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 (Note 2-f). Additionally, a payment of EUR 1,125 thousand was made in 2020 in relation to the acquisition of 7.06% of the share capital of Lander Simulation and Training Solutions, S.A. in 2019.

The put options for the remaining capital of Lander Simulation and Training Solutions, S.A. were exercised in 2021. The exit option price is currently being calculated by an independent expert.

Lease liabilities

In 2021, "Obligations under Finance Leases" includes all the assets the Group holds as a lessee (Note 8-b). The weighted average rate used for discounting financial liabilities is approximately 4.6%.

16. CASH AND CASH EQUIVALENTS, BANK BORROWINGS AND DEBT INSTRUMENTS OR OTHER MARKETABLE SECURITIES

The detail of "Bank Borrowings" in the accompanying consolidated balance sheet is as follows:

		Thousands of Euros					
		31/12/21			31/12/20		
	Nominal currency	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Loans and credit accounts							
Ctrens - BNDES	BRL	56,730	14,669	71,399	70,604	13,698	84,302
Provetren – Bank union	USD	14,777	26,673	41,450	38,076	18,898	56,974
Parent (CAF, S.A.)	EUR	512,145	113,897	626,042	600,630	29,532	630,162
CAF Investment Projects, S.A.U.	EUR	19,935	-	19,935	19,901	-	19,901
Solaris Group	PLN/EUR	71,615	99,534	171,149	79,053	85,251	164,304
Actren Mantenimiento Ferroviario, S.A.	EUR	-	1,166	1,166	-	8,979	8,979
Other Group companies	EUR	367	85	452	585	2,359	2,944
		675,569	**256,024**	**931,593**	**808,849**	**158,717**	**967,566**
Debt instruments or other marketable securities							
Commercial paper issue	EUR	-	25,000	25,000	-	10,000	10,000
Accrued interest payable		-	1,679	1,679	-	2,043	2,043
Total		**675,569**	**282,703**	**958,272**	**808,849**	**170,760**	**979,609**

The change during the year in “Bank Borrowings and Debt Instruments or other Marketable Securities” (Note 15) was as follows:

	Thousands of Euros		
	Bank borrowings and debt instruments or other marketable securities	Other financial liabilities	Total
Balance at 31 December 2020	**977,566**	**141,127**	**1,118,693**
Cash flows from financing activities			
New drawdowns	389,336	7,168	396,504
Payments at maturity (*)	(414,293)	(35,440)	(449,733)
Dividend payments	-	(25,616)	(25,616)
	(24,957)	**(53,888)**	**(78,845)**
Other changes (without cash flows)			
Translation differences	3,083	550	3,633
Dividends accrued, amortised cost adjustments and others	901	37,524	38,425
	3,984	**38,074**	**42,058**
Balance at 31 December 2021	**956,593**	**125,313**	**1,081,906**

(*) A total of EUR 4,966 thousand is included in the statement of cash flows under "Proceeds/(payments) on financial liability instruments — Repayment and amortisation" as payment of deferred debts with foreign public entities.

The total amount of lease-related cash outflows in 2021 was EUR 22,018 thousand (2020: EUR 24,308 thousand).

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 operation described in Note 9-c, on 10 May 2011 subsidiary company Ctrens-Companhia de Manutençao, S.A. (Ctrens) entered into a financing agreement with Banco Nacional de Desenvolvimiento Econômico e Social (BNDES) 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 principal of the loan will be repaid in 160 successive monthly instalments, with the first repayment falling due in January 2013. In 2020, Ctrens applied for the Standstill COVID-19 offered by BNDES (similar to the agreement to extend the payment term with CPTM). Its request was accepted in July 2020, effectively suspending the repayment of the debt and interest payments over the period running from July to December 2020. Payments resumed under the normal arrangement in January 2021 and the final maturity date of the financing arrangement remains unchanged.

The contract includes certain restrictive clauses limiting the company Ctrens-Companhia de Manutençao, S.A. from obtaining new bank loans, granting guarantees, making capital repayments or distributing dividends, among other restrictions. It also imposes the obligation to maintain certain financial metrics as from January 2013, including the Debt Service Coverage Ratio (which must be higher than 1.2) and the Minimum Capital Structure Formula (which must be higher than 0.24). The terms of these clauses were duly fulfilled throughout 2021 and 2020. In addition, the cash balances from the concession in the amount of EUR 8,934 thousand at 31 December 2021 (31 December 2020: EUR 8,432 thousand) are used to guarantee the debt service, with the surplus balances being released quarterly once compliance with the relevant covenants has been confirmed.

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 Indústira e Comércio, S.A.

Provetren – Bank union

In relation to the long-term train lease services agreement (PPS – Line 12) described in Note 9-c, on 7 December 2012 subsidiary company Provetren, S.A. de C.V. entered into a long-term financing agreement for a maximum sum 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 interest rate on the loan is referenced to LIBOR. To avoid fluctuations in the interest rate curve, and as it is customary in this type of financing arrangement, Provetren entered into an interest rate hedging agreement for 80% of the financing and for 80% of the term, which was cancelled on maturity in 2021 and was not renewed (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.

This contract includes certain restrictive clauses that limit Provetren, S.A., de C.V. from obtaining new bank loans, granting guarantees, making capital repayments or distributing dividends if certain ratios have not been achieved, among other restrictions. It also requires the company to maintain certain financial metrics as from October 2013, including the Debt Service Coverage Ratio (which must be higher than 1.15). The terms of these clauses were duly fulfilled throughout 2021 and 2020. In addition, cash balances under the concession in the amount of EUR 13,970 thousand at 31 December 2021 (31 December 2020: EUR 9,512 thousand) are used to guarantee the debt service, with the surplus balances being released quarterly once compliance with the relevant covenants has been confirmed.

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 Manutençao, 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

At year-end 2021, the Parent had 20 loans with 12 financial institutions, maturing between 2022 and 2026. None of this debt is subject to financial covenants linked to compliance with ratios.

Solaris

On 28 October 2016, Solaris Bus & Coach, sp. z.o.o. (Solaris) arranged various financing facilities with a consortium of Polish banks. This financing comprises a loan tranche and a credit facility tranche, which as at 31 December 2021 were drawn down in the amount of EUR 56.1 million. The maturity of both financing tranches remains unchanged for December 2024.

In addition, as at 31 December 2021 Solaris had EUR 23.2 million in recourse factoring debt and EUR 41.2 million drawn down under reverse factoring arrangements.

The first of the these debt packages is subject to compliance with a series of financial covenants, including the requirement to maintain a debt ratio of less than 3 (or 4.5 considering recourse factoring in the debt), a debt service coverage ratio of 1.5 or more, an equity to assets ratio of 17% or more, positive net equity and a cap on the amount that can be invested. All these requirements were met as at 31 December 2021. As the terms of this debt also limit the distribution of funds to shareholders until 2023, cash amounting to EUR 35,389 thousand at Solaris at 31 December 2021 (31 December 2020: EUR 22,190 thousand) was earmarked for the Solaris Group's needs. This entire financing package is secured mainly by guarantees on assets and receivables (property, plant and equipment, trademarks, current accounts and accounts receivable, among others) delivered by Solaris to the banks.

Aside from the financing package described above, Solaris arranged a loan of EUR 21.8 million in 2020 with various financial institutions, 80% of which is guaranteed by the Polish national bank and matures in June 2022.

Lastly, at 31 December 2021 the Solaris Group's subsidiaries had credit facilities and factoring lines with recourse amounting to EUR 28.8 million.

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 2021 and 2020, 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

The Parent, as per the approval granted by its Board of Directors on 17 December 2020, formalised a commercial paper programme (Commercial Paper Programme CAF 2020), for an aggregate maximum nominal balance of EUR 250 million. The programme was listed on 21 December 2020 on the Spanish Alternative Fixed Income Market (Mercado Alternativo de Renta Fija, or "MARF") and renewed on 22 December 2021. In 2021, a total of EUR 160 million was issued under this programme. The Programme allows the Parent, under the terms and conditions set out in the Information Memorandum and for a period of 12 months, to issue commercial paper maturing within 730 days, which will be listed on the MARF. Of this total limit, there was an outstanding issued volume of EUR 25 million at 31 December 2021 (31 December 2020: unused).

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. To define target levels of available liquidity worse-than-base-case scenarios are taken into consideration.

The Group's companies have undrawn credit facilities amounting to EUR 411,436 thousand (31 December 2020: 439,746 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):

2021

	Interest	Principal
2023	13,830	90,818
2024	11,194	191,685
2025	5,063	256,667
2026	1,233	130,077
2027 and subsequent years	-	8,693
Total	**31,320**	**677,940**
Accruals		(2,371)
Total carrying amount		**675,569**

2020

	Interest	Principal
2022	16,326	181,472
2023	12,773	97,335
2024	10,034	188,617
2025	4,720	240,316
2026 and subsequent years	1,066	101,932
Total	**44,919**	**809,672**
Accruals		(823)
Total carrying amount		**808,849**

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 2021 and 2020 is as follows:

2021

	Maturity (in currency)		
Currency put options at 31/12/21	**2022**	**2023**	**2024 and subsequent years**
Fair value hedges			
USD currency forwards (*)	308,585,074	2,397,772	26,463,639
GBP currency forwards	302,052,090	62,691,566	966,311
EUR currency forwards	4,724,206	-	-
BRL currency forwards	100,955,824	-	-
SEK currency forwards	1,035,174,047	245,030,961	1,825,785,890
AUD currency forwards	369,584,896	284,359,106	118,230,883
SAR currency forwards	78,535,012	-	-
MXP currency forwards	367,602,719	-	-
CAD currency forwards	29,848,644	9,264,215	161,244,174
TRY currency forwards	1,124,550	-	-
JPY currency forwards	13,767,210,625	-	-
NZD currency forwards	1,907,418	-	-
HKD currency forwards	92,696,630	-	-
HUF currency forwards	191,073,000	-	-
NOK currency forwards	5,000,000	-	-
TWD currency forwards	1,180,757,342	-	-
ILS currency forwards	62,910,989	17,285,006	-
INR currency forwards	13,788,712	-	-
Cash flow hedges			
TRY currency forwards	6,663,311	-	-
SAR currency forwards	24,014,786	-	-

(*) Includes the partial hedge of the net investment in CAF USA, Inc. of USD 22,300 thousand and the hedge of the net investment in Provetren of USD 186,618 thousand, whose functional currency is the USD.

Currency call options at 31/12/21	Maturity (in currency) 2022	2023	2024 and subsequent years
Fair value hedges			
USD currency forwards	21,175,499	1,132,764	-
EUR currency forwards	8,781,684	-	-
MXP currency forwards	133,463,232	-	-
JPY currency forwards	388,186,294	174,960,000	1,574,640,000
GBP currency forwards	123,528,269	2,733,240	-
AUD currency forwards (Notes 9-a and 26)	9,072,272	7,760,500	28,078,510
NOK currency forwards	95,835,687	100,000,000	-
ILS currency forwards	41,798,566	-	-
Cash flow hedges			
COP currency forwards	39,982,352,456	-	-
TRY currency forwards	4,695,246	-	-
AUD currency forwards	1,000,000	-	-

Interest rate derivatives	Loan maturity (in currency) 2022	2023	2024 and subsequent years
Euribor swap	-	25,000,000	-

	Thousands of Euros			
	Fair value		Cash flow	
	31/12/21	31/12/20	31/12/21	31/12/20
Hedges:				
USD currency forwards	(16,278)	4,246	-	-
GBP currency forwards	(6,785)	(3,219)	-	-
MXP currency forwards	(815)	(974)	-	-
BRL currency forwards	(1,039)	(1,183)	-	-
EUR currency forwards	(830)	(380)	-	-
SEK currency forwards	(2,530)	(4,690)	-	-
SAR currency forwards	(378)	1,903	(96)	-
COP currency forwards	1,151	1,096	1,910	766
JPY currency forwards	893	2,953	-	(281)
AUD currency forwards	(4,610)	(4,643)	7	-
CAD currency forwards	8,094	-	-	-
Currency forwards in other currencies	39	(294)	(131)	77
Forward rate agreements	-	-	(356)	(670)
Value at year-end (*)	**(23,088)**	**(5,185)**	**1,334**	**(108)**

(*) Before considering the related tax effect.

2020

Currency put options at 31/12/20	Maturity (in currency) 2021	2022	2023 and subsequent years
Fair value hedges			
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	-	-
MXP 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	-	-

(*) Includes 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
Fair value hedges			
USD currency forwards	15,153,788	28,553,760	-
EUR currency forwards	2,487,506	7,617,317	-
MXP currency forwards	700,878,878	-	-
JPY currency forwards	1,482,706,334	-	-
GBP currency forwards	137,586,127	899,259	-
AUD currency forwards (Notes 9-a and 26)	6,572,272	2,500,000	28,078,510
Cash flow hedges			
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	-	-

At the end of 2021 and 2020, associate S.E.M. Los Tranvías de Zaragoza, S.A. (Note 9-a) had arranged various swaps related to the nominal amount of its financial debts. These swaps were designated as cash flow interest rate hedges, and the negative value thereof attributable to the Group amounted to EUR 3,682 thousand at 31 December 2021, net of the related tax effect (31 December 2020: EUR 4,002 thousand). Meanwhile, associates Momentum Trains Holding Pty Ltd and LAVI Light Rail O&M Ltd. (Note 9-a) arranged derivatives designated as cash flow hedges, and the positive net value thereof attributable to the Group amounted to EUR 5,176 thousand at 31 December 2021 (31 December 2020: negative value of EUR 9,491 thousand). These amounts were recognised under "Equity - Valuation Adjustments - Hedges" in the consolidated balance sheet as at 31 December 2021.

Following, there is a reconciliation of the remeasurement at each year-end to the carrying amounts recognised in the consolidated balance sheet (in thousands of euros):

	2021	2020
Non-current assets	35,408	41,736
Current assets	48,477	15,589
Non-current liabilities	(36,292)	(42,547)
Current liabilities	(69,347)	(20,071)
Balance sheet net total	**(21,754)**	**(5,293)**
Fair value	(23,088)	(5,185)
Cash flow	1,334	(108)
Total derivatives	**(21,754)**	**(5,293)**

In 2021 the ineffective portion of the hedging transactions charged to profit or loss resulted in income of EUR 1,301 thousand (2020: income of EUR 2,104 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 1,714 thousand in 2021 (2020: expense of EUR 2,700 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 2021 in accordance with the applicable tax legislation. However, if the tax treatment were to differ from those 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 been paying tax under the Consolidated Tax Regime within the Historical Territory of Gipuzkoa together with the following subsidiaries: CAF Investment Projects, S.A.U., CAF I+D, S.L.U., Geminys, S.L., CAF Signalling, S.L.U., Rail Line Components, S.L.U., CAF Turnkey & Engineering, S.L.U., CAF Power & Automation, S.L.U., Centro de Ensayos y Análisis Cetest, S.L., CAF Diversified Business Development, S.A.U., CAF Rail Digital Services, S.L.U., CAF Engineering Modernizations, S.L.U. and Lander Simulation & Training, S.A.

The reconciliation of the Group's accounting profit to its income tax expense is as follows:

	Thousands of Euros	
	2021	**2020**
Accounting profit before tax	**129,832**	**49,077**
Tax rate of the Parent	24%	24%
Income tax calculated at the tax rate of the Parent	**31,160**	**11,778**
Effect of the different tax rate of subsidiaries	3,231	3,216
Effect of exempt income and non-deductible expenses for tax purposes	5,853	6,079
Effect of tax credits and other tax relief recognised in the year	(4,686)	(2,990)
Effect of tax assets and deferred taxes not recognised in previous years	5,320	22,450
Adjustments recognised in the year relating to prior years' income tax	103	(1,794)
Change in tax rate	80	85
Total income tax expense recognised in the consolidated statement of profit or loss	**41,061**	**38,824**
Current tax expense (income) (*)	**39,404**	**48,018**
Deferred tax expense (income)	**1,657**	**(9,194)**

(*) Including prior years' adjustments and income tax.

The impact corresponding to “Effect of exempt income and non-deductible expenses for tax purposes” relates to those items that do not qualify as a tax expense. In 2021, a negative adjustment of EUR 6 million was recognised to reflect the non-deductibility of certain liability provisions, non-deductible depreciation and non-deductible foreign withholdings (2020: EUR 10 million). A positive adjustment of EUR 3.9 million was also recognised in 2020 for the exemption for reinvestment of capital gains from the sale of fixed assets described in Note 7 to the consolidated financial statements.

Meanwhile, and due to the negative impact of the COVID-19 pandemic on results in 2020, certain CAF Group companies reported tax losses that were not recognised as Deferred tax assets according to Management's estimation as to their recoverability, thus resulting in an expense of EUR 22.4 million for “Effect of tax assets and deferred taxes not recognised in previous years". The expense recognised in this connection in 2021 relates mainly to tax losses incurred by subsidiary company CAF Brasil Indústria e Comércio, S.A. and not recognised as "Deferred tax assets".

The difference between the tax charge allocated and the tax payable for 2021 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					
	31/12/20	**Inclusions in the scope of consolidation**	**Additions regularizations and tax rate changes**	**Disposals**	**Translation differences**	**31/12/21**
Deferred tax assets:						
Tax credit and tax loss carryforwards (Note 3-k)	55,775	-	1,946	(15,710)	43	42,054
Provisions temporarily not deductible	83,955	-	23,727	(12,313)	(129)	95,240
Effect of asset revaluation- Gipuzkoa Regulation 1/2013	2,069	-	-	(150)	-	1,919
Elimination of profits on consolidation and other	5,349	-	(68)	-	36	5,317
	147,148	**-**	**25,605**	**(28,173)**	**(50)**	**144,530**
Deferred tax liabilities:						
Clients portfolio provisions, unrestricted and accelerated depreciation (Notes 7, 8 and 9)	93,497	615	2,463	(2,026)	5,275	99,824
Revaluation of intangible and material assets (Notes 2-f and 14)	39,937	2,560	(26)	(1,997)	(138)	40,336
Exchange differences	109	-	329	-	(2)	436
Goodwill	16	-	-	-	-	16
Elimination of profits on consolidation and other	674	-	88	(14)	(23)	725
	134,233	**3,175**	**2,854**	**(4,037)**	**5,112**	**141,337**

	Thousands of Euros					
	31/12/19	**Inclusions in the scope of consolidation**	**Additions regularizations and tax rate changes**	**Disposals**	**Translation differences**	**31/12/20**
Deferred tax assets:						
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
	146,134	**256**	**23,431**	**(17,409)**	**(5,264)**	**147,148**
Deferred tax liabilities:						
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
	159,145	**444**	**1,869**	**(8,007)**	**(19,218)**	**134,233**

In 2021 the Group expects to take tax credits amounting to EUR 6,995 thousand (2020: EUR 9,643 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 2021 amounted to EUR 96,807 thousand (2020: EUR 97,280 thousand), of which EUR 18,089 thousand (arising mainly from the Parent's tax group) are recognised under "Deferred Tax Assets - Tax Credit and Tax Loss Carryforwards" (2020 EUR 25,440 thousand). The tax loss carryforwards (pending application) recognised amounted to EUR 23,965 thousand at 31 December 2021 (31 December 2020: EUR 30,335 thousand). The tax loss carryforwards relate mainly to the Parent's tax group EUR 21,873 thousand (31 December 2020: EUR 29,251 thousand).

At 31 December 2021, Provetren, S.A. de C.V. also recognised deferred tax liabilities of EUR 61,045 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 2020: EUR 57,879 thousand).

Lastly, at 31 December 2021 the subsidiary Ctrens recognised a deferred tax liability amounting to EUR 33,720 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 2020: EUR 31,656 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. In accordance with this criterion, the Group has not capitalised tax credits and tax loss carryforwards amounting to EUR 169,912 thousand (2020: EUR 159,887 thousand), arising mainly at the tax group in the Historical Territory of Gipuzkoa, CAF Brasil Indústria e Comércio, S.A., CAF France SAS, Trenes de Navarra, S.A.U. and Solaris Bus Ibérica, S.L.U., which will be capitalised to the extent that they can be applied in subsequent years in accordance with the applicable legal limits and deadlines. Also, the Group has unrecognised deferred tax assets, with no defined last year for deduction, amounting to EUR 13,121 thousand (2020: EUR 10,988 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	
	31/12/21	**31/12/20**
Expiring in 2021	392	372
Expiring in 2022	1,056	-
Expiring in 2023	421	1,036
Expiring in 2024	624	380
Expiring in 2025	1,530	743
Expiring in 2026	816	1,571
Expiring in 2027	680	1,023
Expiring in 2028	321	956
Expiring in 2029 and subsequent years	128,555	120,799
Unlimited	48,638	43,995
	183,033	**170,875**

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 2021 year-end the Group had 2016 and subsequent years open for review by the tax authorities for income tax and 2018 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. OTHER PAYABLES

The breakdown of the heading "Other Payables" was as follows at 31 December 2021 and 2020:

	Thousands of Euros	
	31/12/21	**31/12/20**
Non-current contract liabilities (Note 12)	746,804	807,549
Other taxes payable	74,970	69,060
Sundry trade payables	60,903	55,416
Staff – Outstanding remuneration	49,758	44,776
Total	**932,435**	**976,801**

The detail of the receivables from and payables to public authorities at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/21	**31/12/20**
Accrued social security taxes	23,638	23,510
Regular taxes		
VAT (Note 9-b)	34,826	28,577
Other	-	72
Personal income tax withholdings	15,168	13,646
Withholding taxes on dividends	1,338	3,255
Total	**74,970**	**69,060**

In 2011 the Parent and certain subsidiaries were authorised to file consolidated VAT returns.

These balances include debts for payment deferrals with foreign public entities amounting to EUR 513 thousand (31 December 2020: EUR 5,229 thousand).

20. SHORT AND LONG-TERM PROVISIONS

a) Breakdown

This heading of the accompanying consolidated balance sheet breaks down as follows:

	Thousands of Euros	
	31/12/21	31/12/20
Non-current provisions for contingent liabilities and commitments	91,298	100,195
Current provisions	286,319	216,248
Total	**377,617**	**316,443**

b) Non-current provisions for contingent liabilities and commitments

The breakdown by item of "Non-current provisions" in the consolidated balance sheet at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
Non-current provisions	**31/12/21**	**31/12/20**
Provisions for litigation	30,200	27,618
Investments accounted for using the equity method (Note 9)	2,424	8,199
Provisions for warranties	48,686	53,698
Provision for long-term remuneration to staff and other	9,988	10,680
Total	**91,298**	**100,195**

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 29 million (31 December 2020: EUR 28 million).

Also, the Group recognises employment-related provisions under "Non-Current Provisions" for present obligations arising from past events that are expected to be settled 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.

The changes in this heading in 2021 and 2020 were as follows (in thousands of euros) (Note 2-e):

	Non-current provisions
Balance at 31/12/19	**84,645**
Net charge for the period	50,111
Amounts used charged to profit or loss	(1,518)
Translation differences	(11,615)
Change in value of investments accounted for using the equity method	8,199
Transfers to current provisions	(29,627)
Balance at 31/12/20	**100,195**
Net charge for the period	47,513
Amounts used charged to profit or loss	(4,581)
Translation differences	109
Change in value of investments accounted for using the equity method	(5,775)
Transfers to current provisions	(46,163)
Balance at 31/12/21	**91,298**

c) Current provisions

"Current provisions" in the accompanying consolidated balance sheet includes the provisions recognised by the Group to cover mainly warranty expenses, contractual support services and other matters arising from its business activities.

The changes in this heading in 2021 and 2020 were as follows (in thousands of euros) (Note 2-e):

	Current provisions				
	Contractual liability	Warranty and support services litigation	Litigation	Other provisions	Total current provisions
Balance at 31/12/19	**52,927**	**133,778**	**1,944**	**11,873**	**200,522**
Net charge for the period	23,569	69,985	2,486	2,807	98,847
Amounts used charged to profit or loss	(29,954)	(69,466)	(394)	(3,577)	(103,391)
Translation differences	(1,028)	(7,524)	(77)	(1,214)	(9,843)
Transfers	(363)	30,429	(21)	68	30,113
Balance at 31/12/20	**45,151**	**157,202**	**3,938**	**9,957**	**216,248**
Net charge for the period	12,639	98,866	(2,712)	(1,456)	107,337
Amounts used charged to profit or loss	(11)	(80,796)	(44)	(2,891)	(83,742)
Translation differences	3	824	1	-	828
Transfers	(15,282)	43,791	-	17,139	45,648
Balance at 31/12/21	**42,500**	**219,887**	**1,183**	**22,749**	**286,319**

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 expenses incurred in 2021 and 2020 in connection with the provision of contractual warranty services (approximately EUR 80,796 thousand and EUR 69,466 thousand, respectively) were recognised under "Procurements" and "Staff costs" in the accompanying consolidated statements of profit or loss for 2021 and 2020.

21. OTHER NON-CURRENT/CURRENT ASSETS AND LIABILITIES

The detail of the Group's "Other assets" at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Assets for the right to recover (Note 3-f)	5,129	6,592
Other non-current assets	**5,129**	**6,592**
Prepayments	9,013	9,737
Other current assets	**9,013**	**9,737**

The detail of the Group's “Other liabilities” at 31 December 2021 and 2020 is as follows:

	Thousands of Euros	
	31/12/2021	31/12/20
Non-current contract liabilities (Note 12)	65,889	65,394
Advances received on operating leases (Note 8)	10,520	19,587
Refund liabilities (Note 3-f)	5,670	8,933
Other non-current liabilities	**82,079**	**93,914**
Advances received on operating leases (Note 8)	4,663	2,711
Unearned income	1,262	1,484
Refund liabilities (Note 3-f)	415	468
Other current liabilities	**6,340**	**4,663**

The breakdown by maturity of the item "Advances received on operating leases" is as follows:

	Thousands of Euros	
Last year for deduction	31/12/2021	31/12/20
1-2 years	120	6,266
2-3 years	2,455	523
3-4 years	6,361	3,001
4-5 years	1,584	7,946
Over 5 years	-	1,851
Total	**10,520**	**19,587**

As detailed in Note 3-f, certain bus sale agreements grant customers a right to recover. 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	
	2021	2020
Materials used (*)	1,345,002	1,236,308
Work performed by other companies	297,319	242,498
Total	**1,642,321**	**1,478,806**

(*) 67% in euros, and the remainder mainly in US dollars, pounds sterling and Polish zlotys (2020: 69% in euros).

b) Other operating expenses

	Thousands of Euros	
	2021	**2020**
Outside services	325,733	317,738
Taxes other than income tax	3,622	3,760
Change in operating provisions and allowances and other (Notes 12 and 20)	70,611	44,119
Other current operating expenses	6,501	762
Total	**406,467**	**366,379**

The fees for audit services relating to Construcciones y Auxiliar de Ferrocarriles, S.A. and subsidiaries amounted to EUR 1,303 thousand in 2021 (2020: EUR 1,285 thousand). Of this amount, the fees incurred for annual audits of companies audited by the global organisation Ernst & Young amounted to EUR 770 thousand (2020: EUR 660 thousand for annual audits of companies audited by the global organisation Deloitte). In addition, fees for other professional services provided by the principal auditor amounting to EUR 87 thousand were billed in 2021 (2020: EUR 236 thousand), of which EUR 75 thousand was for audit-related attest services including six-monthly reviews (2020: EUR 181 thousand), EUR 7 thousand for tax services (2020: EUR 7 thousand) and the remainder for other services.

"Change in operating provisions and allowances and other" mainly reflects the change in provisions for warranty expenses and technical support services (Note 20).

c) Information on the environment

In 2021 investments made in systems, equipment and facilities designed for environmental protection and improvement amounted to EUR 2,168 thousand (2020: EUR 2,971 thousand).

The Group did not receive any environmental grants in 2021.

At 31 December 2021 and 2020, 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 2021 the Group incurred environmental expenses amounting to EUR 1,857 thousand (2020: EUR 1,726 thousand).

d) Grants related to income

Most of the grants transferred to profit or loss in 2021 and 2020 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 2021 under "Other Operating Income" in the accompanying consolidated statement of profit or loss amounted to EUR 5,238 thousand (2020: EUR 5,366 thousand).

23. AVERAGE HEADCOUNT AND STAFF COSTS

The average headcount in 2021 and 2020 was as follows:

	Average headcount	
Professional category	**2021**	**2020**
Board members	2	2
Senior executives	7	10
Employees	6,605	6,282
Manual workers	6,499	6,788
Total (*)	**13,113**	**13,082**

(*) At 31 December 2021, there were 13,284 employees (31 December 2020: 13,057 employees).

The breakdown, by gender, of the average headcount in 2021 and 2020 is as follows:

	2021		2020	
Professional category	**Men**	**Women**	**Men**	**Women**
Board members	1	1	1	1
Senior executives	6	1	9	1
Employees	4,872	1,733	4,651	1,631
Manual workers	6,223	276	6,479	309
Total	**11,102**	**2,011**	**11,140**	**1,942**

At 31 December 2021, the Parent's Board of Directors comprised 7 men and 4 women (2020: 7 men and 4 women).

The detail of staff costs is as follows (in thousands of euros):

	2021	**2020**
Wages and salaries (Note 15)	538,317	517,528
Social security costs	146,321	145,902
Other expenses (Note 3-j)	30,027	31,609
Total	**714,665**	**695,039**

24. INFORMATION ON THE BOARD OF DIRECTORS

a) Remuneration and other benefits of directors

In 2021 and 2020, in addition to any further amounts payable as described in Note 3-j, the overall remuneration of the members of the Parent's Board of Directors amounted to approximately EUR 7,232 thousand and EUR 1,716 thousand, respectively, in respect of wages, life insurance, attendance fees and fixed remuneration, and funds accumulated by the current directors under long-term savings systems with vested economic rights in the year. In 2021, the Parent made contributions to long-term savings plans in the form of long-term savings insurance under the defined contribution system and under which the Parent is the policyholder, for a total of EUR 1,500 thousand (2020: EUR 1,300 thousand). At 31 December 2021 and 2020, 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 2021 EUR 204 thousand were paid in connection with the third-party liability insurance premium of the directors for damage caused by acts or omissions (2020: EUR 67 thousand).

b) Information regarding situations of conflict of interest involving the directors

In 2021 and 2020, 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 2,004 thousand in 2021 (2020: EUR 2,369 thousand).

In 2021 and 2020 there were no other transactions with senior executives besides the ordinary course of business.

26. OTHER DISCLOSURES

a) Guarantees and other contingent assets and liabilities

At 31 December 2021, the guarantees provided to the Group by banks and insurance companies for third parties amounted to EUR 3,614 million (31 December 2020: EUR 3,532 million) relating basically to technical guarantees in compliance with the orders received. Of this amount, EUR 7.2 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 2020: EUR 8.4 million); and EUR 61.3 million related to the guarantees provided for the future contribution the Group will make in 2024 and 2027 at the investees Momentum Trains Holding Pty Ltd and CFIR Light Rail Ltd (31 December 2020: EUR 58.2 million).

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 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 (the equivalent of EUR 26,479 thousand at 31 December 2021) and recommended the competent authorities not to grant the subsidiary certain tax benefits for five years. The Group posted a provision for this amount in 2019 with a charge to "Other operating expenses" in the consolidated statement of profit or loss and a credit to "Non-current provisions" in the consolidated balance sheet (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 1,215 thousand was recognised in 2021 with a charge to "Finance costs" in the accompanying consolidated statement of profit or loss (2020: EUR 815 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 the facts when imposing the aforementioned penalty and argues that, with respect to the facts under investigation, it has always acted in strict compliance with the applicable law. The subsidiary's legal advisers consider there to be a reasonable chance that the penalty will ultimately be reduced to an amount that is substantially lower than the one mentioned, and they do not rule out the total annulment of the fine. Also, as a result of the information obtained in these proceedings, an order was issued to block a current account amounting to EUR 139 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 proceedings, in relation to which, the Group has already presented its corresponding defences. As a result of CADE's investigations, an administrative proceeding was also initiated by the Court of Auditors, in response to which the subsidiary presented its preliminary defence during the first half of 2016. Following a finding by the Court of Auditors that no irregularity had been proven, a request was filed to close these proceedings. This request is awaiting a decision. Lastly, also as a result of the investigations conducted by CADE, the Sao Paolo Administrative Council of Economic Defence, processed an administrative procedure in relation to which the subsidiary filed initial claims during 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. 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, alleged irregular practices, 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. The CAF Group's subsidiary in Brazil is a defendant 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. 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 (Note 12). Furthermore, in one of these proceedings, the competent judge granted an interim injunction against the subsidiary in Brazil in the form of a prohibition to dispose of real estate and vehicles as security for possible liabilities that may result from an eventual court ruling against the subsidiary. The subsidiary company is appealing the imposition of this injunction while continuing its defence in the proceedings, currently in the initial phase. Meanwhile, in another administrative process initiated by the authorities of the State of Mato Grosso in relation to this project in the latter half of 2021, the administrative body fined the Consortium and its members BRL 96,170,604.55 (equivalent to EUR 15,243 thousand at 31 December 2021) (the subsidiary holds a 36.8% stake in the Consortium, which, were the fine to be distributed in proportion to the interests in the Consortium, would be equivalent to approximately EUR 5.6 million) and a ban on contracting with public entities for five years in the State of Mato Grosso and for two years in Brazil. The Consortium and the subsidiary have appealed the administrative sanction, which is in its initial stages of processing, and have obtained from the judicial authorities a precautionary suspension of the effectiveness of the prohibition to take part in public tender processes in Brazil. Also in relation to the same project, the subsidiary company continues to pursue its appeal regarding the termination of the contract requested by the State of Mato Grosso and the ensuing consequences.

Meanwhile, on 27 August 2018 the National Commission for Markets and Competition ("CNMC") initiated sanctioning proceedings against various companies, including CAF Signalling, S.L.U. and its parent Construcciones y Auxiliar de Ferrocarriles, S.A. (considered jointly and severally liable), in relation to alleged anti-competitive practices. At the date of authorisation for issue of these consolidated financial statements, the proceedings had concluded following notification of the ruling of 30 September 2021. While this decision marked an end to the administrative process, it has been the subject of an appeal for judicial review to the National High Court (Audiencia Nacional). The main aspects of the case and the decision, which affect the subsidiary company CAF Signalling, S.L.U., are that in 2015 this CAF subsidiary joined the cartel initiated in 2002 by other entities, consisting of distribution agreements among the various companies involved. The subsidiary was charged with exercising this conduct for a shorter duration than all the other sanctioned companies (from April 2015 to December 2017) and was handed a fine of EUR 1.7 million. CAF, S.A. is jointly and severally liable for payment of the fine based on the economic unit that makes up the parent company and subsidiary for the purposes of competition regulations. As part of this same case, two former directors of CAF Signalling, S.L.U. were also fined. As at the date of authorisation of issue of these consolidated financial statements, CAF, S.A. and CAF Signalling, S.L.U. had filed a contentious-administrative appeal against the CNMC resolution, requesting the precautionary suspension of payment of the fine until the National High Court rules on the merits of the matter. CAF Signalling, S.L.U. has also requested the suspension of the planned proceedings regarding the prohibition on contracting with public bodies.

With respect to the last two lawsuits described above, the Group's legal advisors consider that an unfavourable outcome for the CAF Group is not probable and that the outcome of these proceedings will not materially affect the financial statements for the years in which they are settled, if any. Therefore, no provision was recognised in this respect at 31 December 2021.

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.

	2021	2020
	Days	**Days**
Average period of payment to suppliers	92.20	88.96
Ratio of transactions settled	87.93	88.72
Ratio of transactions not yet settled	104.52	89.61
	Thousands of Euros	**Thousands of Euros**
Total payments made	796,332	731,898
Total payments outstanding	276,143	267,623

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 2021 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 2021, the firm backlog, net of progress billings, amounted to approximately EUR 9,640 million (31 December 2020: EUR 8,807 million) (Note 12).

In January 2022, the consortium comprising CAF and construction company Shapir was selected by NTA (Metropolitan Mass Transit System) as the successful bidder for the Purple Line of the Tel Aviv light rail project. The contract not only envisions the actual construction of the line, but also the design and supply of 98 low-floor Urbos trams, the supply of the signalling, energy and communications systems, and line maintenance for a 25-year term.

The scope of the CAF Group's work on this contract encompasses both the design and manufacture of the new units and the supply of signalling, energy and communications systems, as well as the integration of the project.

In January 2022, Auckland Transport awarded the CAF Group a contract for the supply of 23 electric units for the city of Auckland in New Zealand, together with the maintenance of the vehicles until the end of 2025.

Last but not least, Solaris signed a contract with Norwegian transport operator Unibuss AS for the supply of 183 Urbino 18 electric buses to Oslo.

The volume and scope of the CAF Group's work under these recently awarded contracts exceeds EUR 750 million.

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	Chairman
Mr. JAVIER MARTÍNEZ OJINAGA	Director
Mr. JUAN JOSÉ ARRIETA SUDUPE	Director
Mr. LUIS MIGUEL ARCONADA ECHARRI	Director
Ms. CARMEN ALLO PÉREZ	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-Secretary

Certificate issued by the Secretary to the Board of Directors attesting that the Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A., pursuant to prevailing commercial law, has drawn up and authorised for issue, on 25 February 2022, the financial statements and directors' report of its consolidated Group for 2021, following the format (and labelling) requirements set out in the European Commission Delegated Regulation EU 2019/815. The financial statements and directors' report are located in the electronic file bearing the hash code 90074F259ECF279775834C170677CEB3546DFF56BD98174E55571DC5FD7F1643.

The members of the Board of Directors of the Company hereby declare that the aforementioned financial statements (consolidated) and directors' report (consolidated) for financial year 2021 have been signed and unanimously authorised for issue, ahead of their verification in due course by the auditors and subsequent approval by shareholders at the General Meeting.

San Sebastián, 25 February 2022.

Approved by	Signed by
THE CHAIRMAN	THE SECRETARY OF THE BOARD
MR ANDRÉS ARIZKORRETA GARCÍA	MS MARTA BAZTARRICA LIZARBE

Resolutions submitted by the Board of Directors for approval by the Shareholders' meeting

By resolution of the Board of Directors, the Annual General Meeting shall be held at the registered office in Beasain, Gipuzkoa, on 11 June 2022, at 12:00, on first call and, if need be, on the following day at the same place and time on second call, to consider and resolve the matters included in the Agenda.

AGENDA

One: Scrutiny and approval, if appropriate, of the annual accounts and management report of Construcciones y Auxiliar de Ferrocarriles, S.A. and of the annual accounts and management report of its consolidated group of companies for the 2021 financial year, as well as the management of the Board of Directors.

Two: Approval of the consolidated Non-Financial Statement – Sustainability Report for the 2021 financial year.

Three: Approval of the proposed distribution of profit for the financial year 2021.

Four: Re-election and setting the number of directors:

4.1. Re-election of Mr Andrés Arizkorreta García as director, with the category of Other non-executive.
4.2. Re-election of Mr Luis Miguel Arconada Echarri as director, with the category of Other non-executive.
4.3. Re-election of Mr Juan José Arrieta Sudupe as director, with the category of Other non-executive.
4.4. Setting the number of directors at 11 members.

Five: Delegation to the Board of Directors, in accordance with Articles 297.1.b) and 511 of the Capital Companies Act, Article 319 of the Companies Registry Regulations and other applicable legislation, with express power of sub-delegation, and for a period of five (5) years from the adoption of the resolution, of the power to issue, on one or more occasions, directly or through group companies, bonds and other fixed-income or other securities (including warrants) convertible into shares of the Company or other companies in its group, expressly including the power to increase the share capital by the amount necessary up to a maximum amount not exceeding, in nominal value, half of the share capital at the date of the authorisation, the power to amend the relevant article of the Articles of Association, as well as the power to suppress the pre-emptive subscription rights of the shareholders in connection with the issue, although the latter power is limited to a maximum amount of 20% of the share capital at the time of the authorisation. Consequent revocation of the powers vested in the Board of Directors by resolution of the General Meeting of Shareholders held on 10 June 2017.

Six: Modification of the Director Remuneration Policy.

Seven: Consultative vote on the Annual Report on Director Remuneration for the 2021 financial year.

Eight: Information to the General Meeting on the amendments to the Board Regulations, as approved by the Board of Directors at its meeting of 16 December 2021.

Nine: Delegation of powers to the Board of Directors for the formalisation and execution of the above resolutions.

Proposed distribution of income

Apply the Parent company's after-tax result of 47,768 thousand euros to Dividends of 34,281 thousand euros and Voluntary Reserves of 13,487 thousand euros.

Board of Directors

Mr. ANDRÉS ARIZKORRETA GARCÍA	Chairman
Mr. JAVIER MARTÍNEZ OJINAGA	Director
Mr. JUAN JOSÉ ARRIETA SUDUPE	Director
Mr. LUIS MIGUEL ARCONADA ECHARRI	Director
Ms. CARMEN ALLO PÉREZ	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-Secretary

This information relates to the composition of the Company's Board of Directors at 25 February 2022, date on which the Financial Statements of the Company and its consolidated group for financial year 2021 were formally issued. At the aforementioned date, the members of the Company's Board of Directors held 0.005% of the share capital.

SUPPLEMENTARY INFORMATION 2017-2021

Consolidated Statements of Financial Position

as of December 31st 2021, 2020, 2019, 2018, 2017 (Thousands of Euros)

Assets	2021	2020	2019	2018	2017
Non-current assets:					
Intangible assets					
Goodwill	109,655	103,339	109,011	101,827	24,124
Other intangible assets	222,682	220,654	239,241	206,535	46,421
Total Intangible Assets	**332,337**	**323,993**	**348,252**	**308,362**	**70,545**
Property, plant and equipment	**388,289**	**403,617**	**449,263**	**365,084**	**244,513**
Investments accounted for using the equity method	**17,073**	**7,370**	**7,807**	**18,188**	**19,752**
Non-current financial assets	**429,902**	**429,068**	**538,303**	**537,061**	**560,660**
Non-current hedging derivatives	**35,408**	**41,736**	**45,001**	**10,720**	**15,842**
Deferred tax assets	**144,530**	**147,148**	**146,134**	**148,548**	**144,989**
Other non-current assets	**5,129**	**6,592**	**7,208**	**2,684**	**-**
Total Non-current assets	**1,352,668**	**1,359,524**	**1,541,968**	**1,390,647**	**1,056,301**
Current assets:					
Inventories	**486,824**	**481,669**	**487,833**	**375,426**	**71,654**
Trade and other receivables					
Trade receivables for sales and services	1,511,392	1,357,136	1,372,394	1,311,835	1,277,243
Other receivables	168,441	170,794	216,940	205,122	198,470
Current tax assets	10,335	8,774	12,417	13,633	10,030
Total Trade and other receivables	**1,690,168**	**1,536,704**	**1,601,751**	**1,530,590**	**1,485,743**
Current financial assets	**131,372**	**102,000**	**95,151**	**94,293**	**84,838**
Current hedging derivatives	**48,477**	**15,589**	**40,010**	**5,849**	**41,864**
Other current assets	**9,013**	**9,737**	**17,130**	**6,343**	**3,229**
Cash and cash equivalents	**551,372**	**573,928**	**538,983**	**602,813**	**371,625**
Total Current assets	**2,917,226**	**2,719,627**	**2,780,858**	**2,615,314**	**2,058,953**
Total Assets	**4,269,894**	**4,079,151**	**4,322,826**	**4,005,961**	**3,115,254**

Equity and Liabilities	2021	2020	2019	2018	2017
Equity:					
Shareholders' equity					
Registered share capital	10,319	10,319	10,319	10,319	10,319
Share premium	11,863	11,863	11,863	11,863	11,863
Other accumulated reserves and profit for the year attributable to the Parent	919,051	835,893	856,799	876,336	852,014
Interim dividend	(13,712)	-	-	-	-
Total Shareholders' Equity	**927,521**	**858,075**	**878,981**	**898,518**	**874,196**
Valuation adjustments					
Available-for-sale financial assets	-	-	-	-	39
Hedges	2,508	(13,575)	(11,062)	(5,024)	(6,580)
Translation differences	(203,367)	(211,531)	(134,682)	(141,782)	(117,238)
Total Valuation Adjustments	**(200,859)**	**(225,106)**	**(145,744)**	**(146,806)**	**(123,779)**
Equity attributable to the Parent	**726,662**	**632,969**	**733,237**	**751,712**	**750,417**
Non-controlling interests	**13,798**	**11,234**	**12,130**	**5,555**	**9,783**
Total Equity	**740,460**	**644,203**	**745,367**	**757,267**	**760,200**
Non-current liabilities:					
Non-current provisions	**91,298**	**100,195**	**47,789**	**6,877**	**7,071**
Non-current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	675,569	808,849	868,072	766,464	625,645
Other financial liabilities	76,606	78,615	90,792	47,774	52,039
Total Non-current financial liabilities	**752,175**	**887,464**	**958,864**	**814,238**	**677,684**
Deferred tax liabilities	**141,337**	**134,233**	**159,145**	**177,191**	**153,805**
Non-current hedging derivatives	**36,292**	**42,547**	**45,777**	**11,206**	**18,131**
Other non-current liabilities	**82,079**	**93,914**	**86,637**	**82,186**	**55,821**
Total Non-current liabilities	**1,103,181**	**1,258,353**	**1,298,212**	**1,091,698**	**912,512**
Current liabilities:					
Current provisions	**286,319**	**216,248**	**237,378**	**224,970**	**227,939**
Current financial liabilities					
Bank borrowings and debt instruments or other marketable securities	282,703	170,760	199,979	255,416	46,262
Other financial liabilities	48,707	62,512	44,144	23,356	40,725
Total Current financial liabilities	**331,410**	**233,272**	**244,123**	**278,772**	**86,987**
Trade and other payables					
Payable to suppliers	780,287	710,496	688,104	664,865	423,385
Other payables	932,435	976,801	1,032,114	911,961	646,593
Current tax liabilities	20,115	15,044	9,113	6,447	5,009
Total Trade and other payables	**1,732,837**	**1,702,341**	**1,729,331**	**1,583,273**	**1,074,987**
Current hedging derivatives	**69,347**	**20,071**	**61,140**	**64,167**	**52,313**
Other current liabilities	**6,340**	**4,663**	**7,275**	**5,814**	**316**
Total Current liabilities	**2,426,253**	**2,176,595**	**2,279,247**	**2,156,996**	**1,442,542**
Total Equity and Liabilities	**4,269,894**	**4,079,151**	**4,322,826**	**4,005,961**	**3,115,254**

Consolidated Statements of Profit or Loss

as of December 31st 2021, 2020,2019, 2018, 2017 (Thousands of Euros)

(Debit) Credit	2021	2020	2019	2018	2017
Continuing operations:					
Revenue	2,942,685	2,762,472	2,597,655	2,048,419	1,477,039
+/- Change in inventories of finished goods and work in progress	54,152	(39,347)	18,235	73,250	(77,035)
In-house work on non-current assets	875	2,381	13,901	14,488	8,977
Procurements	(1,642,321)	(1,478,806)	(1,388,778)	(1,089,940)	(542,771)
Other operating income	19,752	16,197	27,518	21,339	7,886
Staff costs	(714,665)	(695,039)	(654,607)	(518,473)	(446,381)
Other operating expenses	(406,467)	(366,379)	(370,226)	(347,605)	(247,463)
Other results	793	11	-	-	-
Adjusted Ebitda	**254,804**	**201,490**	**243,698**	**201,478**	**180,252**
Depreciation and amortisation charge	(87,141)	(89,494)	(80,667)	(46,738)	(34,690)
Impairment and gains or losses on disposals of non-current assets	(2,721)	8,899	(165)	(10,572)	148
Adjusted EBIT	**164,942**	**120,895**	**162,866**	**144,168**	**145,710**
Non-recurring items	-	-	(37,872)	-	-
EBIT	**164,942**	**120,895**	**124,994**	**144,168**	**145,710**
Finance income	7,055	6,121	17,402	7,627	7,309
Finance costs	(42,924)	(47,641)	(72,885)	(64,160)	(68,551)
Changes in fair value of financial instruments	82	(35)	33	7	35
Exchange differences	(2,296)	(26,106)	(6,120)	(6,673)	(17,591)
Impairment and gains or losses on disposals of financial instruments	20	22	(337)	9	4
Financial loss	**(38,063)**	**(67,639)**	**(61,907)**	**(63,190)**	**(78,794)**
Result of companies accounted for using the equity method	2,953	(4,179)	(1,949)	(403)	594
Profit/(loss) before tax	**129,832**	**49,077**	**61,138**	**80,575**	**67,510**
Income tax	(41,061)	(38,824)	(36,048)	(40,955)	(24,993)
Profit/(loss) for the year from continuing operations	**88,771**	**10,253**	**25,090**	**39,620**	**42,517**
Adjusted consolidated profit for the year	**88,771**	**10,253**	**62,962**	**39,620**	**42,517**
Consolidated profit for the year	**88,771**	**10,253**	**25,090**	**39,620**	**42,517**
Attributable to:					
The Parent	85,920	9,012	24,745	43,462	42,406
Non-controlling interests	2,851	1,241	345	(3,842)	111
Earnings per share (in euros)					
Basic	2.51	0.26	0.72	1.27	1.24
Diluted	2.51	0.26	0.72	1.27	1.24

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