

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



CORPORATE SOCIAL RESPONSIBILITY REPORT

2017

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1. How we see Corporate Social Responsibility

"The policy defines the principles and commitments CAF promotes in its activities and in the companies that form part of its Group, finding a sustained, long-term balance between the fulfillment of its mission and the interests of the community around it and the various interest groups."

CAF's Corporate Social Responsibility Policy

December 29th, 2015

1.1 Overview of CAF and Corporate Social Responsibility

As a result of its commitment to Sustainability and the development of the environment in which it carries out its activities, in 2015, the CAF Group (hereinafter, CAF), approved its Corporate Social Responsibility (CSR) Policy according to the recommendations of the Good Governance Code for Listed Companies published by the National Securities Market Commission (CNMV). This policy, available on www.caf.net, defines the principles and commitments the organization promotes in the carrying out of its activities, taking into account the interests and concerns of its Interest groups with the goal of profitability that is sustainable over time.

CAF's CSR Policy was approved by the parent company's Board of Directors, Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter, CAF, S.A.), which in turn is responsible for establishing the necessary mechanisms for the monitoring and control of compliance therewith. At the same time, the monitoring and control of compliance with said policy corresponds, according to the text thereof itself, to the Board of Directors which may delegate said duties to any other body at its discretion. The production of this report has been led and coordinated by the Management of the HR department and during the 2017 financial year, certain duties in relation to CSR have been attributed to the Appointment and Remuneration Committee, as detailed in this report.

The CSR Policy establishes 8 operating principles:

- Establishing preventive measures to ensure strict compliance with the legal system in force.
- Scrupulous respecting of fundamental rights.
- Monitoring of good governance practices.
- Confidentiality and transparency.
- Responsible Communication Practices.
- Compliance with tax responsibilities.
- Commitment to Innovation and Sustainability.
- Commitment to the Environment.

During 2017, CAF has continued to take steps to reinforce and consolidate the work carried out to comply with the goals established in the CSR Policy, creating a multidisciplinary work group that is representative of the various areas included therein. This group is responsible for ensuring compliance with the commitments in addition to monitoring the activities in relation to Corporate Social Responsibility, under the coordination of the Management of HR.

Likewise and continuing with the publication of the CSR Report corresponding to the 2016 financial year according to the GRI information standard and the commitments acquired for 2017, this work group has been responsible for drafting this CSR report for the 2017 period with a larger scope than the previous one. Since 2017, the revision of this report corresponds to the Appointment and Remuneration Committee, for subsequent approval on the part of the Board of Directors.

The scope and depth of the information of this report has been increased including the main lines of business of the CAF Group. In addition to the corporate activities, activities are included in this business scope that represent more than 95% of the size of the CAF Group (Rolling Stock - CAF Rolling Stock, Rail Services - CAF Rail Services, Components - CAF MiiRA, Signaling - CAF Signaling, Power and Traction Equipment - CAF Power & Automation and Engineering - CAF Turnkey & Engineering). In any case, this situation will be indicated in each piece of data and activity reported.

In the 2017 period, worth noting is the increased activity in this area linked to the client's requirements in different businesses, principally providing support for the activities of offers and projects in rolling stock and components.

Additionally, and with respect to the following period, the systemization of Corporate Social Responsibility activities to ensure compliance with the necessary reference standards and regulatory and client requirements has been established as a main goal. Three areas of action have been defined: the implementation of the CSR Forum with a corporate scope within the Management Model, the carrying out

of the necessary activities to ensure compliance with the guidelines contained in Standard ISO 26000 allowing a positive third part declaration should this be considered necessary in some of the organizational areas of the CAF Group and the extension and adaptation of the CSR Report to the CAF Group's set of activities according to the version of the GRI standard in force at that time.

In 2017, the activity to revise and align various strategic elements of the company continued. As already indicated in the report on the previous period in December 2016, CAF's Executive Committee approved the new version of the Group's Mission and Vision. The Mission reflects the added value in sustainable mobility of CAF's comprehensive transport systems, and in line with the Mission, the Vision refers to the Group's comprehensive offer to meet society's new sustainable mobility needs.

Mission

We are a multinational group with 100+ years of experience in the provision of comprehensive, cutting-edge transportation systems with high added value in sustainable mobility.

We are a leading company in the railway sector and offer our clients one of the widest and most flexible ranges of rolling stock, components, infrastructures, signaling and services (maintenance, refurbishment and financial services) on the market.

The commitment of the people that make up CAF, together with the cooperation of our partners, contributes to increasing our clients' satisfaction and to generating value for our shareholders.

Vision

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 offer beyond the railway sector so as to meet society's new sustainable mobility demands.

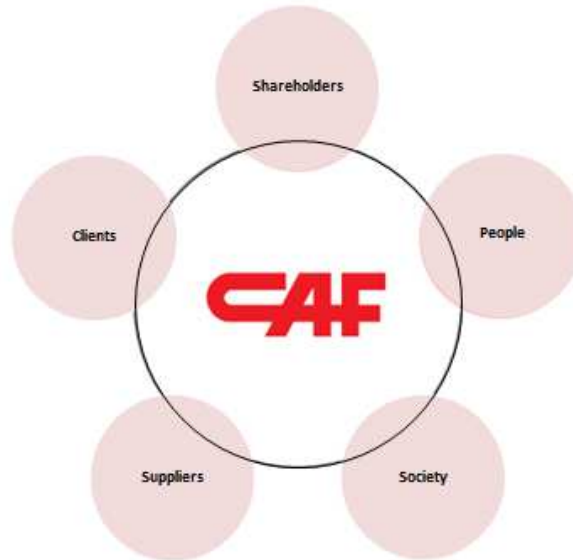
Thanks to the culture that is shared by all the people that make up CAF, we will meet the needs of our interested parties in a balanced manner.

Likewise, in November 2017, the same body approved the new list of corporate values applicable to the group's set of activities which are now already in the deployment phase. The values established reflect our commitment to principles contained in the CSR Policy and will bring these to the foreground in our day-to-day activities.

Corporate Values	Definition
Honesty & Integrity	To act correctly and in accordance with the regulations.
Responsibility & Commitment	Taking charge of things and fulfilling commitments
Results & Perseverance	Providing solutions to situations that arise and establishing actions for doing so. Achieving what one sets out to do and overcoming any difficulties that might arise.
Excellence & Learning	Doing things right, improving the activity and providing new solutions. Being willing to learn and tackle new activities
Cooperation & Teamwork	Working with others provides greater value

1.2 Our Interest Groups

The Interest groups established by CAF are as follows:



CAF encourages ongoing and effective communication with its Interest groups via the following communication channels:

Interest Groups	Communication Channels
Shareholders*	<ul style="list-style-type: none"> - Shareholder and Investor Service Office - Communiques from the Spanish National Stock Market Commission (CNMV) - The General Shareholders' Meeting - Periodic information meetings - CAF's website
Clients	<ul style="list-style-type: none"> - Meetings with potential clients - Meetings with clients with a project - Customer satisfaction surveys - Client audits - Audits of the Quality and Safety Management System - CAF's website - CAF's Portal
People	<ul style="list-style-type: none"> - Internal communication - Direct communication - Union representation - The corporate magazine - Complaints channel - CAF's website
Suppliers	<ul style="list-style-type: none"> - The Supplier Portal - CAF's website - Supplier audits
Society	<ul style="list-style-type: none"> - CAF's website - Direct relationship with public administration bodies - Participation in forums and associations

* The information in relation to Shareholders appears in CAF's Annual Corporate Governance Report, available on the corporate website.

Said channels are fundamental to know the concerns and interests of each of the Interest groups on the subject of CSR and are key to establishing CAF's strategy and action on this matter.

1.3 Materiality

In the context of CAF and its sectors of activity, there are multiple financial, environmental and social factors that define the Group's CSR strategy and commitments. CAF's CSR Policy defines the Company's action with respect to said factors under a focus of sustainable development.

This CSR Report has been produced based on the expectations and requirements of the Interest groups identified in said Policy, paying special attention to the most relevant subjects in this respect and with a greater impact on the Group's strategy.

To this end, CAF developed a CSR Materiality analysis based on internal and external information, following the guidelines defined by version G4 of the Global Reporting Initiative (GRI) standard, which establishes the following phases:

- i. Identification phase, which has allowed the detection of the material aspects and the coverage thereof, taking into account their effect on the organization's activities, products, services and relationships, outside and inside thereof.

To this end, CAF has analyzed the information obtained from:

- Commitments acquired:
 - Strategic lines of the Company
 - CAF Policies
 - Applicable regulations
- Client requirements:
 - Questionnaires CAF is required to complete on the subject of CSR
 - Requirements of the tenders CAF has participated in
- CSR trends:
 - GRI G4 reporting standard
 - Principles of the world pact
 - Global CSR trends
 - Means of communication

- ii. Prioritization phase, which has determined the content of the report through the prioritization of the relevant aspects and subjects identified through a participative process with the management of each of the organization's departments.

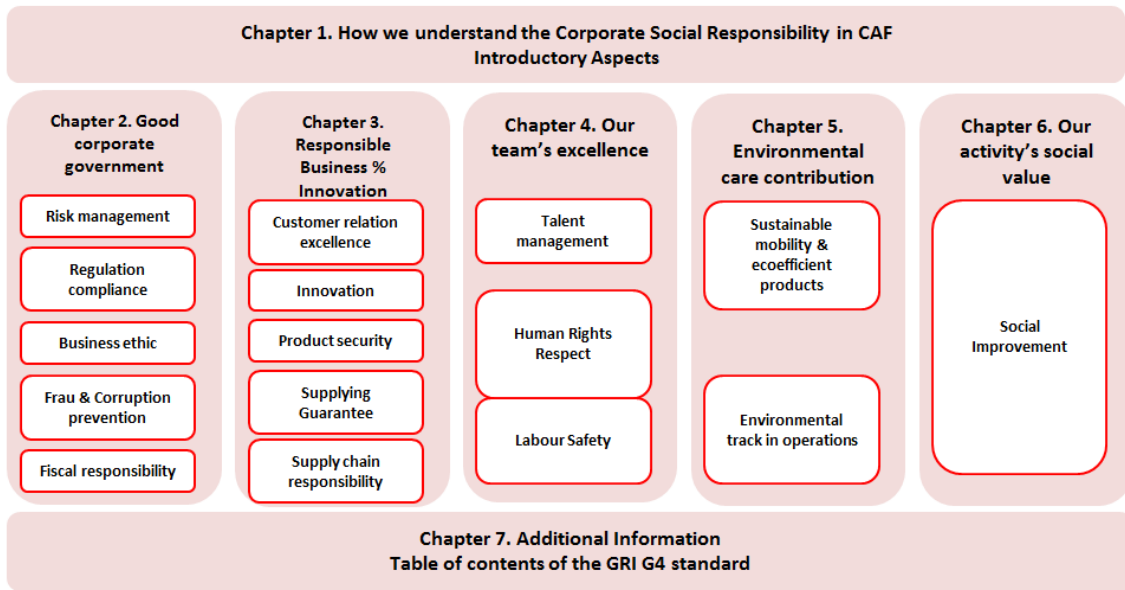
In this sense, all of CAF's departments have participated in the process to define the material aspects, thus managing to reflect an overview of CSR in the Company.

- iii. Validation phase, which has allowed the final content, the validation of the list of relevant aspects by the organization's upper management and the cover and prioritization thereof to be determined.

Likewise, CAF's Management has actively participated throughout this materiality analysis and as a result its perspectives have been incorporated into each of the phases, resulting in the final list of material aspects.

The result of this diagnosis is still valid and has been confirmed following the analysis performed in accordance with the guidelines on the subject of CSR contained in standard ISO 26000.

The 16 relevant aspects for CAF and its Interest groups in the framework of CSR stemming from the materiality analysis have been confirmed. Information in relation to each of them is contained throughout this report, as shown in the following figure:



For more information on these material aspects, in addition to others linked to CSR in CAF, the table of contents of the GRI G4 standard, which is the standard that has been taken into account as a reference to produce this Report, appears in chapter "7. Additional information".

2. Good Corporate Governance

One of CAF's operating principles on the subject of corporate social responsibility is the "monitoring of good governance practices in general and in particular, those contained in CAF's current Code of Conduct, which regulates the appropriate conduct of all the organization's professionals and its collaborators and the supervision and control of said appropriate conduct."

**CAF's Corporate Social Responsibility Policy
December 29th, 2015**

2.1 System for Corporate Governance and Regulatory Compliance

CAF conducts its business taking into account the importance of adequate, transparent management as an essential factor to generate value, improve economic efficiency and reinforce the confidence of its shareholders and investors, all of which is implemented through a Corporate Governance System based on the concept of "Good Corporate Governance".

Said system is based on its commitment to ethical principles, good practices and transparency, revolving around the defense of social interest and the creation of sustainable value for CAF's interest groups.

CAF's Corporate Governance System is made up of principles and regulations that regulate the design, integration and functioning of the Governing Bodies and their relationship with the company's interest groups.

In terms of the Governing bodies and the definition and composition thereof according to the aforementioned regulatory framework, the company distinguishes between the following: (i) the company's Corporate Governance bodies (the General Shareholders Committee and Board of Directors of the CAF Group's parent company), which adopt the decisions corresponding to the highest governance and decision-making bodies; and (ii) the Management bodies (Management Team as a whole), which is entrusted with the ordinary management of the company which, in any case, must be in line with the general policies and strategies established by the Board of Directors.

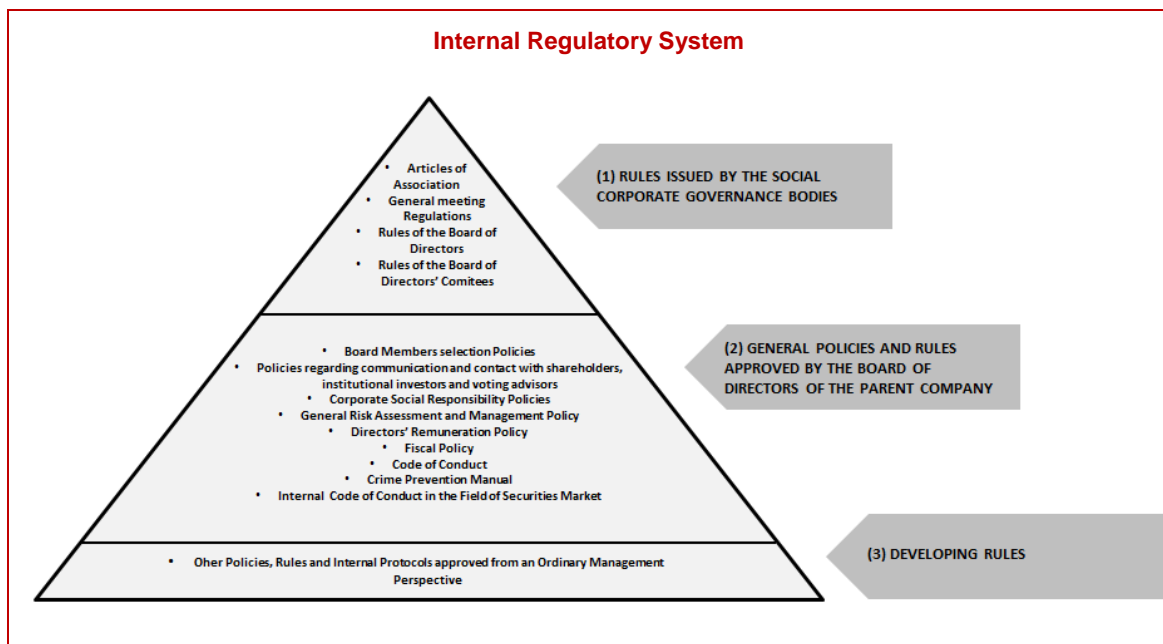
The above allows adopting and maintaining a system in which ethics and sustainability dominate and influence all the Group's activity in order to promote the achievement of its business goals, complying with the legal obligations, but also applying widely-accepted good practice standards.

To this end, CAF takes into account the national and international reference principles and good practices in this respect, integrating them into its business, both at an internal regulatory level in its regulatory framework and at the organic level in the composition and distribution of duties of the governing bodies, as well as at an operating level through the integration thereof into systems and processes.

Regulatory Framework on the Subject of Corporate Governance

General regulatory framework

The general regulatory framework on the subject of corporate governance comprises the internal regulatory system or "Corporate Governance System" made up of three hierarchical levels of regulations: (i) those that regulate the composition and functioning of the company's Corporate Governance bodies (the General Shareholders Committee and Board of Directors of the parent company); (ii) the general policies and specific regulations of universal application throughout the CAF Group approved by the parent company's Board of Directors; and (iii) the regulations that, in terms of ordinary management and respecting all the above regulations, may in turn be developed by the Management Teams of each Department or Area; which, in practice, is what allows true effectiveness and integration of the rules of Good Governance into the systems and processes:



As an important milestone in the 2017 financial year, CAF's Tax Policy was approved and progress has been made on future policies to reinforce the Corporate Governance System.

The Regulating Standards of CAF's Corporate Government bodies and General Policies are permanently available to the general public on its corporate website and kept updated.

In terms of both strategic and ordinary management, CAF's governing bodies apply and where necessary, implement the regulations of the Corporate Governance System, informing and raising the awareness of the various recipients of each of the company's interest groups, through periodic communication and training initiatives.

Likewise, the company seeks to perform the permanent adaptation and updating of the Corporate Governance System to the new legislative developments or good practice codes and guides aimed at listed companies, which are periodically published by the regulatory and supervision bodies, in the shortest period of time possible.

Effectiveness and implementation of the Corporate Governance System

The Corporate Social Responsibility Policy approved at the Group level establishes goals, operating principles and commitments that ultimately boil down to tangible, verifiable compliance with rules of Good Corporate Governance.

The achieving of the established goals has led to the establishing of preventive measures in CAF to ensure strict compliance with the legal system in force in the territories in which CAF carries out its activities.

As part of the respect for the legal system in force, we would highlight the approval during the 2017 financial year of a Tax Policy applicable on a group level which allows, among other things, the establishing of operating principles on tax matters in order, for example, to ensure timely compliance with tax obligations and guarantee the quality, truthfulness and security of the information, thus avoiding structures and systems of an opaque nature and reducing tax risk. Said Tax Policy has been adapted, and will continue to be adapted, to comply with the various requirements of international good practices. As proof of this, one example is compliance with the United Kingdom's 2016 Finance Act in terms of the content and publishing of the company's Tax Strategy.

Likewise, the approval, deployment and periodic updating of a Crime Prevention Manual in CAF is included under the commitment to comply with current legislation at all times, protecting against the risks of possible non-compliance of greater severity through the supervision mechanisms established in the Manual itself. In the 2017 financial year, the adaptation of the Crime Prevention Manual of the CAF Group's foreign subsidiaries within the period established in said document is worth noting, among others things.

Likewise, one of CAF's operating principles is the monitoring of good governance practices and in particular, those contained in CAF's current Code of Conduct, which regulates the appropriate conduct for all the organization's professionals and its collaborators and the supervision and control mechanisms for said appropriate conduct.

The Board of Directors and its Committees

Board of Directors

CAF's most senior decision-making body is its Board of Directors, which currently comprises ten members. CAF also has an Audit Committee and an Appointment and Remuneration Committee.

The Board acts as a decision center in relation to the management of the company at a strategic level and to this end focuses its activity on the general role of guidance, supervision, establishing of general strategies and control of the ordinary management delegated to the Management Team. For their part, the committees not only perform the duties legally assigned to them but also other additional duties as recommended by the best practices and recommendations for good corporate governance.

In the 2017 financial year, the milestone of complying with each and every one of the recommendations of the Good Governance Code for Listed Companies published by the National Securities Market Commission was achieved.

Along these lines, following the mandate of Recommendation 36 of the Good Governance Code for Listed Companies, during the current financial year, an independent external consultant was hired to assist with the annual assessment of the functioning of the Board of Directors and its Committees.

The Board of Directors assessed its work and that of its members and Commissions positively for the 2017 financial year, in line with the favorable conclusions of the report issued by the independent external consultant.

For its part, CAF's Board Member Selection Policy establishes that candidates to the Company's Board must be honorable, suitable and with recognized solvency, competence, experience, qualification and training.

Worth noting in the 2017 financial year is the achieving of the objective (established for 2020 in CAF's Board Member Selection Policy) of at least 30% of its members being women.

The Board of Directors has also achieved a composition in which 50% of the board members are classed as independent.

Additionally, as an insurance measure with respect to the Good Corporate Governance practices, board members are obliged to stand down when they should be subject to circumstances of incompatibility or prohibitions set out by law, in addition to when they should be processed for an alleged criminal act or should be subject to disciplinary action due to a severe or very severe offense ordered by the supervisory authorities, or when they are in a situation of conflict of interest with the Company or fail to comply with the duties of communication and abstention.

CAF's Annual Corporate Governance Report contains this information in greater detail, in addition to other information relevant to the Company in this sense.

Audit Committee

In accordance with the best practices, the Audit Committee comprises three non-executive board members designated by the Board of Directors, two of which are independent, including the Committee Chairman who has in turn been appointed taking into account his or her knowledge and experience in the area of accounting and auditing.

The main duties of said Committee are:

- Supervision of the process for the preparation and presentation of the financial information, verifying the integrity thereof.
- Supervision of the effectiveness of the company's internal control, internal auditing and its risk management systems, in addition to discussing the significant weaknesses of the internal control system detected during the course of the audit with the accounts auditor, all without violating their independence.

Additionally, this Committee is responsible for the supplementary duties in relation to the supervision of the information systems and internal control and in relation to the external auditor indicated in the Good Governance Code for Listed Companies, in addition to all others indicated in the Law.

Likewise, notable for the 2017 financial year is the fact that the distribution of duties referred to in Recommendation 53 of the of Good Governance Code for Listed Companies was carried out, assigning the following duties to the Audit Committee:

- Supervision of the communication strategy and relationship with shareholders and investors, including small and medium shareholders, and
- Assessment of everything in relation to the company's non-financial risks -including operating, technological, legal, social, environmental, political and reputational risks.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee is made up of three non-executive board members, two of which are independent, including the Chairman thereof.

The main duties of said Committee are:

- Assessment of the competencies, knowledge and experience necessary for the Board of Directors and raising of the corresponding appointment proposals and reports with the Board.
- To propose the remuneration policy for Board Members and senior management to the Board of Directors.

In addition to the other powers indicated in the Law, this Committee is responsible for supplementary duties in relation to the remuneration policy, contract conditions of senior management and regarding the reporting of said information, in accordance with Recommendation 50 of the Good Governance Code for Listed Companies.

Likewise, as mentioned previously, the distribution of duties referred to in Recommendation 53 was carried out, assigning the following to the Appointment and Remuneration Committee:

- Supervision of compliance with the internal codes of conduct and the company's rules of good governance,
- Periodic assessment of the adaptation of the company's corporate governance system, in order to ensure that it fulfills its mission to promote social interest and takes into account the legitimate interests of the remaining interest groups,
- Revision of the company's corporate social responsibility policy, ensuring that this is aimed at the creation of value,
- Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance therewith,
- Supervision and assessment of the processes in relation to the different interest groups, and
- Coordination of the reporting process for non-financial information and on diversity, according to the applicable regulations and the international standards of reference.

2.2 Risk management

On December 20th 2016, CAF's Board of Directors approved the General Risk Control and Management Policy to adapt and update the company's risk control and management system in order that the risks of all the Group's activities and business be adequately managed.

The implementation of the General Risk Control and Management Policy aims to establish the basic mechanisms and principles for adequate management with a risk level that allows:

- The strategic goals set by the CAF Group to be reached with controlled volatility,
- The maximum level of guarantees to be provided to the shareholders;
- The CAF Group's results and reputation to be protected,
- The interests of shareholders, clients, other groups interested in the Company's progress and society in general to be defended, and
- The company's business stability and financial solidity to be guaranteed over time in a sustained manner.

The risk management model adopted by CAF to be in line with international standards ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), in terms of the use of an effective methodology for the analysis and integrated management of the risk and the Three Lines of Defense Model, on the assigning of responsibilities in the scope of risk management and control.

Likewise, the steps taken in the achieving of a comprehensive risk control and management system are also noteworthy for the 2017 financial year.

Specifically, a universal risk management model has been defined for the whole company which consists of the following activities:

- 1) Establishing of the risk management context for each activity
- 2) Identification of the different types of risk the Group faces by the corporate or business nature thereof.
- 3) Analysis of the risks identified and implication for the whole of the CAF Group.
- 4) Assessment of the risk based on the level of risk the Group considers acceptable (risk appetite).
- 5) The measures planned to tackle the risks identified.

- 6) Periodic monitoring and control of the risks through the use of information systems and internal control.

Additionally, a single risk catalog has been created for the whole Group. This catalog defines a first risk structure level consisting of strategic, financial and operational risks and risk related to corporate governance and compliance. These in turn are subdivided into more specific risks within each of the categories. The risk level, management type (corporate or business) and planned risk management measures are well defined for each risk category or subcategory.

For the purposes of corporate social responsibility, the operational, good governance and compliance risks in relation to human rights, people, the environment and the commission of crime, for which specifically a level of zero tolerance is proposed, are noteworthy due to their nature.

With respect to the Recommendations of the Good Governance Code for Listed Companies, CAF complies with all those in relation to the "duty of risk control and management".

2.3 Ethics in business and the prevention of fraud and corruption

Code of Conduct and Crime Prevention Manual

A good reputation is an essential intangible resource that favors a relationship of confidence and value, on both an internal and external level, with all the agents with which CAF comes into contact. To achieve this, it is essential to encourage ethical conduct that promotes the relationship between the Group and the agents involved.

Since 2011, CAF's Code of Conduct has defined the set of general regulations and principles for corporate governance and professional conduct that are applicable to all the Group's professionals, as well as to any entity or person that should collaborate or come into contact with the Group in the scope of their professional activity.

The Code of Conduct is made up of three fundamental pillars (structural ethical principles, behavior criteria for CAF's professionals and implementation mechanisms), which in turn materialize through a series of specific regulations of obligatory compliance.

The contents of the Code of Conduct are as follows:

CAF Code of Conduct



Structural ethical principles

- Our strictest compliance with the law and human rights
- Involvement of our shareholders
- Quality and excellence are an essential aspect for us
- CAF's reputation and prestige as advertisement
- Protection and promotion of our human resources
- CAF's respect for and commitment to the community and the environment
- Confidentiality and transparency in all CAF's relationships

Behavior criteria

- Relationship with the shareholders, seeking to maximize the creation of value and transmission of true, complete and current information
- Relationships with clients based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interest
- Relationships with suppliers and other collaborators, considering the value of competitiveness and quality in the selection thereof
- Human resources carries out the personnel recruitment and management processes based on criteria of equality and integrity and promotes training and health and safety
- Relationships with public bodies, with strict respecting of the law and integrity
- Relationships with the community and the environment, the basic principles having been defined in the environmental policy and with a commitment to improve the quality of life of the people in

the communities

- Operations in the organized markets, with the transparency and control of information as principles

Implementation mechanisms

- Compliance Committee as the delegated body in charge of advising on the adaptation of policies in relation to ethical conduct and in compliance with the Code of Conduct
- Training in relation to the Code within the annual training plan
- Complaints channel
- Measures to be taken in the event of violation of the Code of Conduct

The Code of Conduct is available on CAF's corporate website (www.caf.net) and has been sent to all employees through CAF's Portal.

The ethical principles that govern CAF's actions in the market match the international standards, which is especially important in companies like CAF with a global operations scenario.

In this sense, the prevention of fraud and corruption is a priority for CAF as it is an issue that is at the center of business ethics and, as a result, is a fundamental aspect for Good Governance and Corporate Social Responsibility.

Crime Prevention Manual

For the purposes described above and in implementation of the Code of Conduct, a crime prevention program was established in the form of the Crime Prevention Manual, which was approved by CAF's Board of Directors on April 29th 2015, in line with the provisions of the latest new developments introduced to the Criminal Code and which includes the Code of Conduct itself.

For the purpose of the production of this Crime Prevention Manual, a detailed analysis was performed of the criminal risks that could hypothetically take place in the different business areas and companies that make up the CAF Group, establishing the appropriate action policies to prevent such.

Therefore, said Manual meets the need to verify the sufficiency and effective establishing of the procedures and controls existing in the Company in order to prevent, insofar as should be possible, the commission of relevant crimes and the consequences thereof.

The Compliance Committee is the CAF Group body responsible for the supervision of the crime prevention model implemented through the Manual, with independent monitoring and control powers.

**CAF Crime
Prevention Manual**



Training relative to the Crime Prevention Manual

The year 2017 saw the continuation of the training plan in relation to the Crime Prevention Manual, aimed at the raising of awareness, circulation and implementation thereof on the part of CAF's personnel, which started in the year 2016. At the close of the financial year, the national subsidiaries were offering training to 91% of the employees for which this was intended according to the Crime Prevention Manual. More than 2000 people have received training on this matter. In the same way, a system has been established for the training of new employees.



Reporting channel

For its part, the Crime Prevention Manual itself establishes a single reporting channel to communicate reports of a general nature and those in relation to financial and accounting aspects, which is supervised by the Compliance Committee. This body periodically analyzes the reports received and, if necessary, takes the corresponding action based on the specific circumstances of each report. In the event that a report should be understood to require greater attention, the Compliance Committee may send the documentation to the relevant department for the purpose of carrying out a joint assessment of the facts and determining the measures to be taken. Likewise, it informs the Audit Committee of the relevant irregularities of a financial nature.



An appropriate record is kept of all the reports received, guaranteeing the confidentiality of both the sender and the content thereof. Likewise, for situations like discrimination, abuse, mobbing or safety in the workplace, specific channels are established for the communication and addressing of any inappropriate conduct that should occur in said areas.

Adaptation of the Crime Prevention Manual in subsidiaries

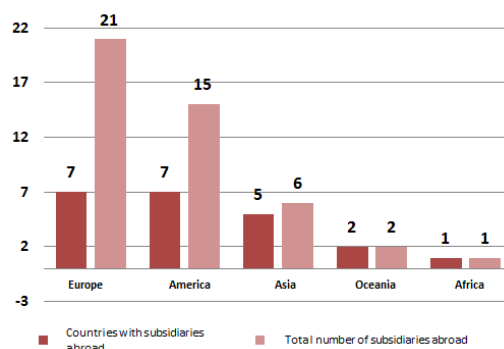
The Crime Prevention Manual was immediately applicable to the national subsidiaries from the moment it was approved and granted a maximum period until December 31st, 2017 for the adaptation thereof to the CAF Group's foreign subsidiaries.

Said adaptation was completed by the deadline in the 45 subsidiaries that form part of the CAF Group. These subsidiaries are distributed between 22 countries over the five continents.

Degree of basic implementation of the Crime Prevention Manual in foreign CAF subsidiaries as at 12/31/2017



Geographic distribution of the adaptation of the Crime Prevention Manual in foreign CAF subsidiaries as at 12/31/2017



Revision of the Crime Prevention Manual

It is also noteworthy that the Crime Prevention Manual is subject to a periodic review and update that takes place in the following cases:

- (i) Whenever there are relevant changes in the organization, in the control structure or the activity carried out by the CAF Group that so recommend,
- (ii) Whenever there are relevant legal or jurisprudential changes that so recommend,
- (iii) Whenever relevant infractions of its provisions should come to light that, additionally, so recommend,
- (iv) Every two years, even if none of the above circumstances has occurred.

Notwithstanding the foregoing, the Crime Prevention Manual establishes that whenever the circumstances should require, the risks of the commission of criminal conduct, referred to in the Manual, will be reassessed, updating the resulting internal Risk Map and, in any case, said reassessment will be performed at least every four years.

The latest version in force in 2017 was that approved by the Board of Directors on July 27th, 2016.

2.4 Tax Responsibility

Mission and Commitment in relation to taxes

The approval of a Corporate Tax Policy during the 2017 financial year has allowed, among other things, the express setting out of the principles that were already applicable internally and which has resulted in the formalization of CAF's mission and its commitments in relation to taxes; all of this having been made available to all the interest groups through the publication of the aforementioned Policy on the corporate website (www.caf.net), along with all other Corporate Policies.

In essence, CAF's mission in relation to taxes consists of ensuring compliance with the tax regulations in force in each territory in which it operates, avoiding tax risks and boosting the cooperative relationship with the tax authorities.

CAF's ultimate goal is to generate trust and distribute value in the national and international markets through responsible action, particularly in terms of taxes, which in turn allow the designing of a corporate strategy, and which ultimately achieves the following: (i) the satisfaction of the interest groups, (ii) the maintaining of a relationship of mutual trust with the Tax Administration Bodies and (iii) a contribution to the improvement of the communities through the payment of taxes.

Operating principles for tax matters

The following operating principles for tax matters in CAF are a development of the basic principles of the Code of Conduct, the Corporate Social Responsibility Policy and the General Risk Control and Management Policy and must be the guide used for all operations of all people and entities to which it applies:

1. To comply with tax obligations at all times, always seeking to comply with the deadlines established by tax regulations, both for the payment of taxes and all other tax obligations. To this end, CAF will ensure the quality, truthfulness and security of the information and data, in addition to the accuracy of its tax declarations.
2. To collaborate with the Tax Administration Bodies at all times, facilitating the information and documentation of a tax nature that should be requested by the competent tax authorities and other regulatory bodies, in a complete and true manner and in the shortest period of time possible.
3. To avoid the use of structures, processes or systems of an opaque nature, designed exclusively for tax purposes, or for the purpose of impeding the knowledge of the person ultimately responsible for the activities or the ultimate owner of the goods and rights on the part of the Tax Administration Body.
4. To avoid investment or operations in or through territories classed as tax havens according to Spanish legislation, or territories with low or zero taxation, for the sole purpose of reducing the tax burden. Investment or operations in said territories shall only be allowed when they meet business needs, and when the purpose thereof is to carry out the activity included in CAF's business purpose, following approval by the Board of Directors in the cases set out by law and in the regulations.
5. To commit to ensuring that all operations in relation to taxation are always based on a valid economic reason.
6. To prevent and reduce, insofar as possible, tax risk in its activities, in any case maintaining a cautious risk profile. In this respect, investment and operations that could represent a particular tax risk will be assessed.
7. To ensure compliance with the obligations in relation to operations between bound parties at all times, maintaining a responsible transfer pricing policy in accordance with the principle of full competition, thus avoiding the erosion of tax bases through the establishing of prices that are not adjusted to the market.

8. To manage the tangible assets at its disposal responsibly, avoiding the use and generation thereof purely for tax purposes.

Finally, CAF's Tax Policy specifies that all the aforementioned principles will be carried out in accordance with CAF's general principles, in particular those of good faith and integrity with respect to the interested parties.

Monitoring and control

Generally, the Audit Commission and, in the last instance, the Board of Directors will be responsible for ensuring compliance with the Tax Policy on the part of the CAF Group as a whole, for which purpose the latter specifically foresees the establishing of internal control mechanisms, and flows of information between the Economic and Financial Department and the Audit Committee, for subsequent referring to the Board, are also considered.

3. Responsible business and innovation

"Commitment to Innovation and Sustainability. CAF believes it necessary to maintain and increase both its internal technological capacity and the quality and safety of the projects, products and services it offers its clients ensuring that these guarantee the sustainability of the company."

**CAF's Corporate Social Responsibility Policy
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The client is the central focus of all the activities carried out by CAF. Listening to their demands and wishes is a priority for CAF to continue to be a reference in the railway sector, with an extensive portfolio at the cutting edge of technology.

To achieve this, CAF is committed to constant innovative effort, channeling its R&D through innovation plans that include all the new technologies, products and services CAF develops, focused on meeting society's new sustainable mobility needs.

3.1 Excellence in our relationships with our clients

CAF is always thinking of its clients, who constitute one of the interest groups established by the Group. Thus, the client is key in each of the activities carried out by CAF, with a clear goal of satisfying their needs and expectations in an efficient, sustainable manner.

The client is key in the definition of our Mission, Vision and Management Model.

In order to achieve its strategic goal of internationalization, in recent years, CAF has expanded to the five continents, with over 135 projects under its belt in 44 countries, demonstrating its international experience. The Group's proximity to its clients allows it to carry out more efficient production and provides greater assistance and maintenance service coverage.

A multidisciplinary project team is created for each project, with a manager at the head, the goal of which is to execute the contract with quality and safety and within the budget and deadline, as well as stay in touch with the client. This relationship allows us to anticipate the resolution of possible unforeseen circumstances in an efficient, coordinated manner.

CAF is currently present in the following places, among others:

Offices					
Beasain	San Sebastián	Zamudio	Madrid	Paris	London
Amsterdam	Munich	Rome	Warsaw	Istanbul	New Delhi
Washington DC	Mexico DF	Sao Paulo	Buenos Aires	Brisbane	
Factories					
Beasain	Irún	Zaragoza	Castejón	Bagnères de Bigorre	Elmira
Huehuetoca	Hortolandia	Newport			
Depots					
Madrid	Bilbao	Vitoria	Barcelona	Seville	Vigo
Rome	Belfast	Algiers	Riyadh	New Delhi	Mexico DF
Sao Paulo	Santiago de Chile	Buenos Aires			

Customer satisfaction

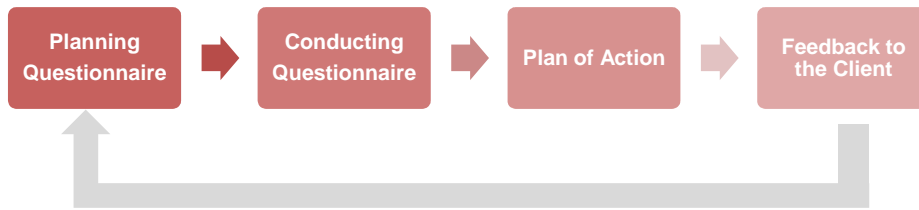
The satisfaction of our clients is one of CAF's top goals, deployed throughout the organization through its Businesses, Processes and Projects.

Our management model organized by process guides the organization to meet the client's needs and expectations, with the goal of achieving their loyalty and increasing our offer of value to the market, demonstrated through a record portfolio of requests.

To this end, in addition to meetings with potential clients (fairs, visits, etc.) another notable element is the conducting of satisfaction surveys as a tool to measure the direct perception of the client regarding the elements that make up CAF's offer of value and identify factors that allow us to improve our competitiveness.

The following can be highlighted in relation to the 2017 customer satisfaction survey:

1. The results of the survey have improved, showing that the actions are well-guided.
2. The number of questionnaires increased significantly, improving the quality of the sample.
3. We increased the number of personal questionnaires, bringing us closer to the client.
4. We started providing the clients with feedback, reinforcing our commitment thereto.



Quality Policy

The CAF Group's businesses have a Quality policy, the main focus of which is the Client and which in turn is the basis on which the Quality Management System is structured.

The Vehicle Business Quality Policy (very similar to the other businesses, and the most relevant in terms of turnover) is highlighted below.

Vehicle Business Quality Policy

In an environment with more and more demanding clients and where our activity takes place in different locations, we have to set ourselves apart from the competition through the quality associated with our goods and services, the conscientious, personalized service and our search for continued improvement.

Only this commitment, which we must take on, will lead us to meet our clients' expectations, which is why every delivery must be a recommendation for future business.

Our continuously revised Quality Policy is defined on this basis and establishes the following principles:

- Compliance with contractual, legal and regulatory requirements.
- Assessment of the interested parties.
- Skills and Training of people.
- Risk analysis of the processes to prevent possible deviations from or non-conformity with the Quality Management System.
- Analysis of results for the constant improvement of the Quality Management System.
- Establishing of goals consistent with the company's strategic plan that are revised on an annual basis at least.
- Promotion of a working atmosphere that favors the quality of all our goods and services.

The Management undertakes and requests the commitment of all people, insofar as this should correspond to them, to carry out, perfect and apply the quality criteria defined in the Quality Management System, as well as compliance with the goals established for the corresponding periods.

Signed: Eduardo Gálvez

Quality, Safety and Approvals Director

Beasain 10/30/2017

In order to meet the client's expectations throughout the life cycle and ensure compliance with the applicable legal requirements, we have implemented our own quality management system to monitor the organization's efficiency and the quality of the products and services. This contributes to obtaining the desired quality at an optimum cost and increasing the satisfaction and trust of the clients in CAF's products and services.

Adapting the projects and manufacturing to the circumstances and requirements of each client forms part of CAF's personal working style. To this end, the Group's various locations have the most modern technology on the market and use the most advanced techniques for the optimization of production, following Standards ISO 9001:2015 and ISO TS 22163 under which several of the Group's businesses are certified, in addition to more specific references for each product and service provided. In this sense, the following certifications are noteworthy:

- AAR M-1003 Association of American RailRoads Quality Assurance Specification.
- RISAS Railway Industry Supplier Approval Scheme – Approved Supplier of Wheelsets, Copulers and Gearboxes.
- UNE-EN ISO/IEC 17025:2005 Conformity Assessment. General requirements for the competency of testing and calibration laboratories.
- DIN6701-2 Manufacturing adhesive bonds on Rail Vehicles and parts or Rail Vehicles
- EN 15085-2 Welding of Railway Vehicles and Components.
- UNE-EN-ISO 3834-2:2006 Quality Requirements for Welding through the Fusion of Metallic Materials. Part 2: Complete Quality Requirements. Manufacturing of Railway Vehicles (carbody structure, bogies and sub-units).
- Directive 2004/49/EC and EU Regulation 445/2011 Entities in Charge of Maintenance– Fleet Maintenance Management.
- ISO 166002:2014 R&D&i Management.

Additionally, with Vehicle offers, the client is given CAF's Corporate Management Manual and a specific quality plan tailored to each client is provided for each awarding containing, among other things, the inspection and testing plan to be followed, for equipment manufactured both in CAF's facilities and in those of its suppliers, which is also agreed with the client in each case.

Additionally, for each train unit, the client is given a "Car History Book", i.e. a list of entries of all the testing and inspection carried out on all the equipment and materials included in the train.

In 2017, CAF collaborated with the UNIFE work group both for the definition of ISO TS 22163 and the IRIS Certification Rules :2017, including the methodology to be used.

3.2 Product safety

In the rail industry, product quality is a determining factor to ensure the correct functioning thereof and user safety.

In this respect, CAF's businesses have a "Safety Policy" that establishes the objectives for the design, manufacturing and maintaining of railway vehicles with the appropriate safety levels, including compliance with contractual safety requirements, for all its projects. A "Safety Plan" has been established for each new product to this end, which includes the following three precepts:

- Safety shall have priority over all other operating parameters.
- Safety management will be integrated from the start of the product development process and cover the whole life cycle thereof.
- Safety risks in service must be eliminated or reduced to an acceptable safety level through the application of the corresponding mitigation action.

The Vehicle Business Safety Policy (very similar to that for all other businesses, and the most relevant in terms of turnover) is highlighted below.

Vehicle Business Safety Policy

Safety prevails over all other aspects of the railway services.

The provision of the railway service must take place in a sufficiently safe manner, avoiding damage to people, materials and the environment.

CAF's Vehicle Business Safety Policy can be summed up into the following principles:

A Culture of Safety is promoted, encouraging everyone to suggest initiatives to improve safety.

The activities for the effective management of Safety are applied consistently to all products and services, throughout the organization and throughout the life cycle of the product, from the offer process, through the development and manufacturing of the product and its putting into service and right to the end of the contractual guarantee period, including contractors and suppliers.

The safety risks during operations must be eliminated or reduced to acceptable levels according to the railway standards and in accordance with the applicable contractual safety regulations and requirements.

The implementation of this Safety Policy is led by the Railway Safety Department which receives the explicit mandate to:

Define, implement, maintain and constantly improve the Safety Management System, which will be based on the industry's best practices.

Lead the implementation of the Safety Management System for projects and products, advising, monitoring and auditing to ensure that each person in the Vehicle Business complies with this Safety Policy.

Safety is everyone's responsibility, as defined in the procedures of the Safety Management System.

I accept my own Safety responsibilities and the Executive Committee declares its commitment to the Safety of our products and services under my leadership.

I ask all those who work for the Vehicle Business to ensure compliance with this Safety Policy and support the implementation and maintenance thereof.

Andrés Arizkorreta
CAF CEO
March 2014

The Safety Management System of CAF's businesses ensures safety throughout the organization and throughout the useful life of the project, from the tender process to the development and manufacturing thereof, and right up until the end of the contractual guarantee period, including contractors and suppliers.

CAF's various businesses hold certificates for their respective Safety Management Systems. This certificate of the Safety Management System verifies compliance with the requirements according to (EU) Regulations 402/2013 and 445/2011 in relation to the adoption of a common safety method for the assessment and rating of risk and reference standard for safety EN 50126 1:1999 on "Railway Applications. Specification and demonstration of reliability, availability, maintainability and safety (RAMS)". In fact, CAF has participated, together with the UNIFE association, in the work group for the updating of said standard, EN 50126. The main objective for the coming financial year is to achieve the same certification in the majority of the businesses with validity of up to five years.

Also noteworthy is the fact that, in numerous specific projects, the client or the authority requires these to be certified by an ISA (Independent Safety Assessor), thus subjecting these to audit.

3.3 Innovation

CAF grants particular importance to constant innovation in its range of products and services. This desire can be seen through the activities to generate new knowledge and develop new technologies and products aimed at offering more advanced transport solutions, considering both the needs currently perceived and global mega-trends and the visions for the future in relation to the transportation of people that will allow efficient, accessible and ecological solutions to be offered.

In order to create our own vision for the future based solidly on innovation, CAF considers it essential to perform permanent systematic monitoring of the technological progress within and outside of the sector and its future expectations through various means:

- Implementation of specific IT Tools for the capturing and management of public information of interest.
- Direct contact with centers and companies specializing in technology with great development potential.
- Presence on both industry forums and forums dedicated to selected generic technology.
- Analysis and diagnosis of the status and development perspectives of key technology, within the Technology Plan generation process.

Being conscious that the key to innovation lies in knowledge and in the people who develop such, CAF maintains its commitment to the increasing of internal technological development capacities. Thus, the CAF Group has various specialized development centers in different locations. Notable among these is the Railway Technological Center, inaugurated in the year 2002 and which was expanded in 2017 to more than 8000m², distributed over 5 floors, to thus be able to house a total of more than 600 people. This increased the capacity of said Railway Technological Center to around 75%, providing CAF with the necessary infrastructure to increase its technical and technological activity.

The CAF Group's Technology Plan

The CAF Group channels and coordinates its Research and Development initiatives in the framework of a Technology Plan of a corporate nature. The Technology Plan is designed and revised annually following an established process that allows the technological development activities to be aligned with the company's main strategic challenges identified by its Management.

CAF's Technological Plan combines knowledge generation activities and the CAF Group's own technology, allowing it to set itself apart from its competitors, with its participation in the industry's main collaborative R&D initiatives such as those described in the following section, thanks to which the CAF Group plays an active role in the evolution of the railway industry as a whole.

Within the variety of activities and lines of work set out in the Technology Plan, special mention is made of the following due to their alignment with the company's current and future priorities.

Energy and Environment: various work areas stand out in the framework of a coordinated strategy aimed at reducing environmental impact:

- Smart management of the energy used by vehicles, including driver support systems, efficient automatic driving systems and smart systems to manage the functioning of equipment.
- Development of systems for the on-board accumulation of energy based on batteries and supercapacitors and rapid load systems, applied to the recovery of braking energy or circulation of trains on an infrastructure without a catenary.
- Development of specific technology aimed at the reduction of the train's energy consumption, either through improved efficiency (Traction equipment based on new Silicon Carbide components, better aerodynamics, etc.) or through the lightening of the vehicle (new materials, simplification of the architecture and removal of wiring).

Railway digitalization: CAF is conscious of the great importance of the digital transformation process currently taking place in all areas of society and therefore dedicates a significant part of its Technology Plan to developing its own digitalization vision for railway transport, advancing in the following areas:

- Development of technology to provide a data capturing and transmission infrastructure throughout the railway system, including aspects like sensors and communication between the vehicle and the infrastructure.
- Management and analysis of large amounts of information through Big Data techniques.

Application of advanced data analysis techniques.

- Use of these tools in areas of special relevance such as diagnosis, maintenance, energy consumption and operations.
- Carrying out of developments that promote solutions based on digital systems compared to solutions of an analog or mechanical nature, to obtain systems of greater physical simplicity with better communication and better integrated into the concept of the digital train.

Noteworthy R&D projects in progress or completed in 2017

Some projects that have stood out among the Technological Development projects in 2017 with an impact on all of the CAF Group's businesses are shown below.



Shift2Rail European Initiative

Shift2Rail is currently one of the main agents for change within the rail sector. It is a large European initiative within the Horizon 2020 Framework Programme dedicated to research and innovation aimed at accelerating the integration of new technology in the rail industry. Shift2Rail brings together the biggest players of the European rail sector. CAF has notable participation as it is one of the eight founding members of the initiative, additionally taking responsibility for the coordination of the "Innovation Program 1: Rolling Stock", which includes all developments related to vehicles.



Roll2Rail European Project

The Roll2Rail project, which ended in 2017, was conceived as a "lighthouse Project" to guide the European R&D activities in the area of rolling stock towards the new Shift2Rail framework to be developed. CAF has played a relevant role in this project as the consortium's technical leader. The project covers the launch activities of the main lines of work in the area of rolling stock which will be developed later on in Shift2Rail, including themes such as technology for new traction equipment, wireless communication systems and the life cycle costs associated with the undercarriage.



Connecta European Project

Connecta is a project launched within the Shift2Rail framework the purpose of which is the radical evolution of the train's control, diagnosis and monitoring system (TCMS). It seeks to incorporate advanced capacities such as wireless communication in the train's network, that of capacity to carry out high security functions (SIL4) and the validation of the functioning of the system before it is put into operation. These advances support the trends towards digitalization and automation in the rail sector. In addition to being one of the main contributors in the technical aspect, CAF coordinates the Connecta project for the whole consortium.



PINTA European Project

PINTA is a project launched within the framework of Shift2Rail, for the purpose of developing the next generation of rail traction systems. Teams work together based on new electronic power component technology with the goal of reducing its volume and weight and increasing the energy efficiency thereof. Measures are also developed to increase the reliability and availability of the traction equipment, in addition to reducing the time and cost of the validation and certification processes. CAF Power & Automation is a notable participant in the consortium, being one of the members with the greatest volume of activity.

SENSEROD Project

This is a project financed by the state Challenges-Collaboration program focusing on the development of monitoring and diagnosis solutions for the advanced management of the key elements of the undercarriages of railway vehicles.

This project, completed in 2017, has sought the goal of optimizing the advanced management of the undercarriages of railway vehicles, thanks to the development of monitoring and diagnosis tools and solutions to allow the maximization of the useful life and availability of the vehicles and increase their reliability. This facilitates the advanced management of undercarriage elements by the maintenance entities.

In addition to the activities aimed at technological development in the medium to long-term defined within the Technology Plan, CAF also has a complementary internal innovation framework which is coordinated with the above framework to channel the improvement activities in a more immediate manner.

CAF Product Plan

The Product Plan contains the product improvement and development projects based on technology already consolidated in CAF, with the goal of improving competitiveness through:

1. The development of new Product platforms or platform alternatives/improvements.
2. The improvement of Standard Modules, for one or several product types.

Within the variety of activities under way, some of the most representative would be:

- a) The reduction of the weight of vehicles, using lighter materials or optimizing the use thereof, resulting in lower energy consumption.
- b) Integration of battery modules in the train to replace diesel engines and allow circulation on non-electrified sections. This also reduces gas and external noise emissions
- c) Elimination of electric cabinets to increase the areas usable by passengers.
- d) Reduction of energy consumption and increased climatic comfort through the systematic improvement of the vehicle's passive isolation. Testing in a climatic chamber to assess the results and plan an improvement system.
- e) Reduction of internal noise through the implementation of absorbent material solutions or improving the motorization rates.

3.4 Supply guarantee

CAF has various indirect indicators that measure the evolution of the relationship with the client, in addition to the customer satisfaction questionnaires, and allow us to anticipate how their experience with CAF is going such as delivery rates, availability and the reliability of the equipment.

The CAF contracts include various requirements in relation to compliance with delivery periods, approval requirements, manufacturing location requirements and other operating risks.

As we have mentioned, a multidisciplinary project team is created for each project with a manager at the head, the goal of which is the execution of the contract with quality and safety and within the budget and deadline, in addition to maintaining constant communication with the client.

3.5 Responsible supply chain

CAF's supply chain is characterized by:

- The production of short series in comparison to the automotive and aeronautical industries.
- Its large component of laborers.
- Its exposure to a wide variety of regulations and standards depending on the destination country and the client.

During 2017, the CAF Group has maintained commercial relationships with 4283 suppliers, for an amount of 958 million euros. CAF acquires a majority of processed products made principally of steel, aluminum, polymers and glass. The main raw material CAF buys is iron and steel profiles and sheeting for the manufacturing of structures and steel bogies and ingots for the manufacturing of railway components. During 2017, the CAF Group has consumed 8,729 tons of profiles and sheeting and 42,599 tons of steel ingots.

The CAF Group manages its supply chain based on a constant improvement process that describes how the various activities must be carried out to ensure that the materials are purchased, stored and supplied to the production lines in accordance with the deadline, budget, quality and safety objectives. The efficiency of these activities is monitored by a transversal team made up of managers from the various departments that participate in the supply chain.

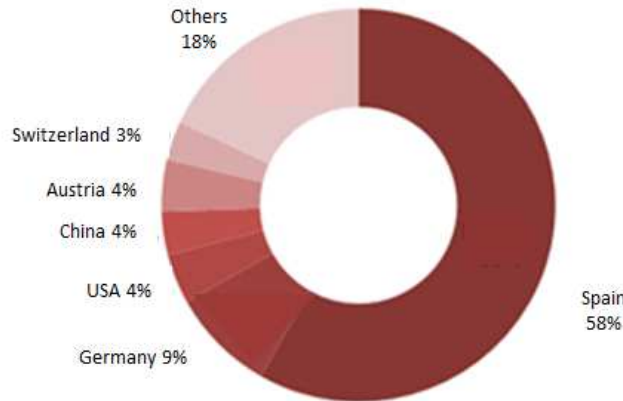
During 2017, CAF has maintained its policy for the promotion and development of the Ariba Negotiation Platform as well as its Supplier Portal, both essential tools for communication with our suppliers and the fulfillment of our commitment to the suppliers set out in the group's CSR Policy:

- To ensure that supplier selection processes are based on a rigorous assessment of competitiveness and quality, guaranteeing equal opportunities among all our organization's suppliers and collaborators.
- To regulate the relationships with our suppliers based on common principles that are subject to rigorous control of quality, compliance and excellence on the part of CAF.

Search for suppliers

CAF's suppliers play a decisive role in the Group's capacity to deliver quality products and services to its clients.

In this area, CAF performs a systematic supplier search on a global scale for the purpose of identifying excellent suppliers in terms of quality, delivery times and cost. The following graph shows the distribution of the CAF Group's purchase total by country:



This activity takes on special relevance in CAF contracts with requirements for local content. During 2017, the number of tenders with requirements for local content in which CAF has participated has continued to rise and, as a result, CAF has reinforced its search for suppliers in the destination countries.

On the other hand, and as explained throughout the chapter, innovation is an essential aspect for CAF, and its supply chain plays an essential role in this respect. CAF constantly analyzes the opportunities that new suppliers and new products have to offer, opting for the latest market references.

Although the search for suppliers on a global scale is key for CAF's competitiveness, the development of supply chains in the countries with significant operations is essential for the sustainability of the CAF Group's business. In 2017, the percentage of expenditure in the countries with significant operations corresponding to local suppliers reached 68%.

Approval process

The CAF Group carries out constant approval and assessment procedures of its suppliers in order to ensure that these have the capacity to supply the required products and/or services. During 2017, the CAF Group signed commercial agreements with 4,283 suppliers, of which 359 began their relationship with CAF during the year 2017.

The CAF Group has established specific approval procedures adapted to the needs of each Business Unit and each product or service required from its suppliers. As a general rule, all suppliers are assessed in relation to their capacity to supply quality products and meet the established deadlines.

In the Vehicle Business Unit, in addition to the aspects mentioned previously, the Safety Management and Reliability of suppliers with a relevant impact on these aspects are assessed and the performing of an audit of the supplier's facilities is an essential condition to be able to approve said supplier. As a result of this process, the supplier's capacity is classed as A (Optimum), B (Subject to Conditions) or C (Insufficient).

Supplier development

In the event that the assessment of a supplier should reflect insufficient performance, said supplier is urged to establish and complete an action plan to improve the weaknesses identified. The monitoring of said action takes place in a forum participated in by the purchase managers and the experts associated with each performance indicator: SQA (Quality), Activation (OTIF), Safety and Maintenance (Reliability).

Additionally, during 2017, CAF S.A. consulted a team dedicated to supplier development with two essential goals: to adapt the processes of new suppliers to its requirements and help small and medium-sized local suppliers to improve their performance.

Implementation of CAF's Code of Conduct within supplier companies

The CAF Group is committed to maintaining the highest standards of professionalism and integrity in its commercial relationships.

Specifically, within the General Purchase Conditions, the CAF Group requires all its suppliers to comply with the ethical principles contained in its Code of Conduct published on the corporate website (www.caf.net).

Said code includes a specific section where it defines its suppliers as business collaborators that are key to achieving the competitiveness, quality and excellence the Group seeks in its products and services. In addition, it highlights its independence in the purchasing of goods and services, as well as the restrictions in terms of the exchanging of gifts.

Non-compliance with obligations on the part of the suppliers in relation to this Code of Conduct shall entitle CAF to take the appropriate measures and refuse future collaboration with said supplier.

The CAF Group has the following tools to assess and guarantee compliance with its Code of Conduct in the supply chain:

- 1) **Supplier approval audits:** the CAF Group ensures that no supplier is approved without first having been subject to an assessment of the following aspects in relation to the CSR Policy:
 - Certifications (SA8000 Social Responsibility Certification, ISO 14001 Environmental Management System Certification, OSHAS 18001 Occupational Health and Safety Management System Certification, ISO 22301 Business Continuity Management System Certification, etc.).
 - Quality Management of the product in relation to the IRIS certification (risk analysis, quality certificates and supplier management, among others).
 - Compliance with CAF's Code of Conduct.
- 2) **Assessment of the environmental performance of its suppliers:** during 2017, CAF S.A. has continued to perform environmental assessments of its suppliers, meaning that the assessments performed in 2017 account for of all those performed to date. The environmental criteria assessed are in relation to 3 environmental aspects: hazardous materials, emissions and effluent. No significant negative environmental impacts were detected during 2017.
- 3) **One-off CSR Policy compliance assessments:** during 2017, CAF S.A. carried out an assessment of compliance with its CSR Policy on the part of 15 suppliers that are relevant due to both the type of product they supply and their geographic location. Said assessment allowed confirmation of satisfactory compliance with CAF's CSR Policy and no significant violations of the CSR Policy were detected.

Innovation in the management of the supply chain

During the year 2017, CAF, S.A. focused its supply chain innovation efforts on the following main aspects:

- Consolidation of the new relationship framework with suppliers based on a Pull supply system so that 80% of deliveries take place based on the new system.
- Publication on its supplier portal of detailed performance indicators in terms of refusal of deliveries and delivery delays.
- Implementation of actions aimed at the reduction of product development times on the part of its main suppliers.
- Establishing of a planning model for suppliers. As explained throughout the chapter, innovation is an essential aspect for CAF and its supply chain plays an essential role in this respect. CAF constantly analyzes the opportunities that new suppliers and new products have to offer, opting for the latest market references.

4. The excellence of our team

"CAF is committed to promoting the professional development of people, taking into account the possible balance between the company's goals and the needs and expectations of the employees. Likewise, CAF encourages the permanent adaptation and improvement of skills and ability throughout the organization."

**CAF's Corporate Social Responsibility Policy
December 29th, 2015**

4.1 The value of our human capital

People and their talent are key

The people that make up CAF are key to making a project sustainable. CAF promotes their professional development taking into account the balance between the company's goals and employees' needs and expectations and encourages the ongoing adaptation and improvement of the skills and abilities of all the people that make up the organization.

The experience, knowledge and motivation of the people in the CAF Group are reflected in each of its products and services.

At the same time, the search for excellence in every activity and the promotion of the capacity for innovation constitute the foundations of the technological power that characterizes CAF. One of the most important values that allows the Group to maintain a competitive position on a global scale resides in this point.

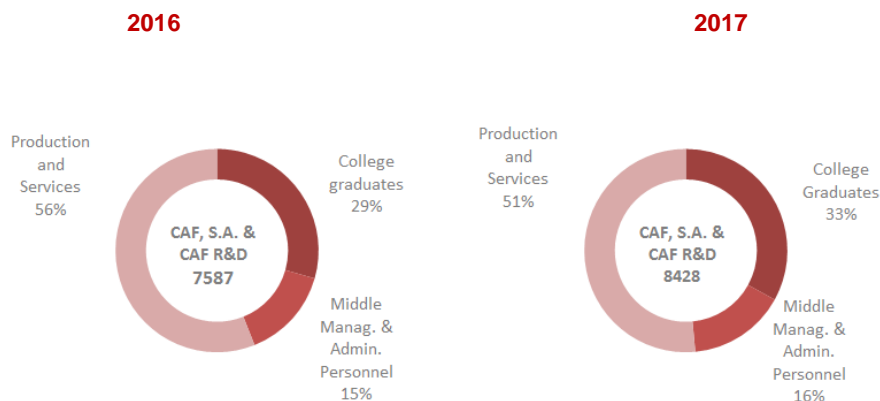
Also worth noting is the permanent communication between the employees, unions and the company to find out about their interests and expectations thus allowing agreements to be reached that benefit everyone. All CAF's employees and the national subsidiaries of all the Group's activities are covered by industry or company collective bargaining agreements that are generally applicable to all employees as a whole.

In the framework of employment relationships, in 2017, the agreement for the signing of collective bargaining agreements for all the parent company's offices for the 2017 and 2018 period is notable. Also noteworthy are the relevant milestones in relation to the participation of people and communication. In 2017, initiatives were implemented to boost direct communication between people and management and a committee was created to monitor the workload in the Engineering and Manufacturing management bodies of CAF's various offices.

In 2017, activities were carried out to provide the different businesses with the necessary resources. In this respect, the CAF Group's workforce has grown during 2017 to reach 8,428 employees, 11.67% more than in 2016. The Group's average workforce in 2017 rose to 7,948, constituting an increase of 6.21%.

The CAF Group in figures	12.31.2016	12.31.2017	16-17 evolution
College graduates	2,232	2,783	24.86%
Middle management and administrative personnel	1,104	1,306	18.56%
Production and services	4,251	4,339	2.96%
Total	7,587	8,428	11.67%

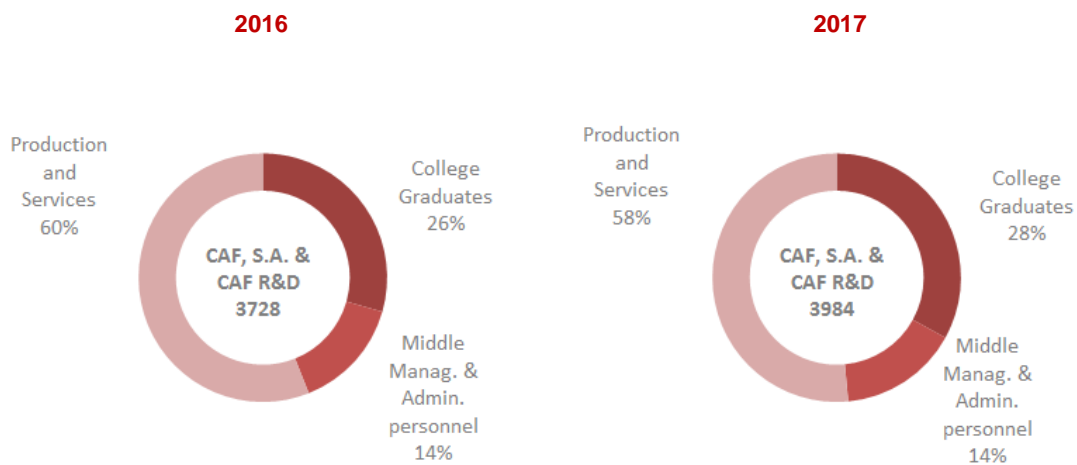
For the purpose of adapting the workforce to the challenges demanded by the organization, the relative weight of the group of college graduates has been increased compared to other groups. Part of the increase in this workforce has arisen from the acquisition of BWB and Rifer.



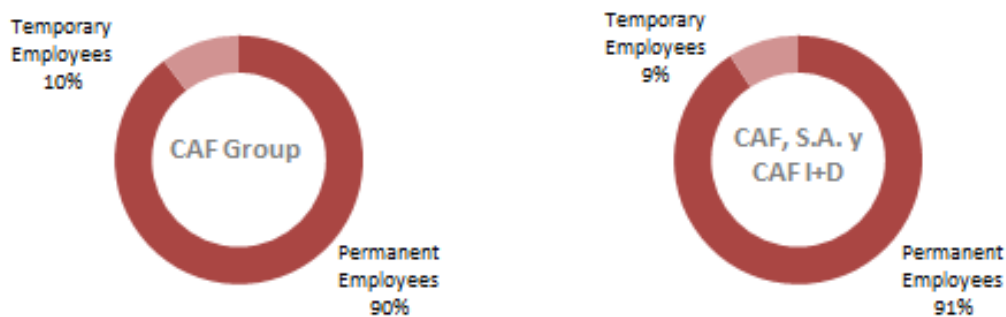
The workforce of CAF, S.A. and CAF R&D has also increased, reaching 3,984 employees, 6.87% more than in 2016. The average workforce during 2017 was 3,817 people.

CAF, S.A. and CAF R&D in figures	12.31.2016	12.31.2017	16-17 evolution
College graduates	955	1,119	17.17%
Middle management and administrative personnel	531	558	5.08%
Production and services	2,242	2,307	2.90%
Total	3,728	3,984	6.87%

There has been a change in its configuration and distribution by group, increasing the relative proportion of the college graduates group compared to other groups. This change is due to adjustment of the abilities needed to tackle projects underway and planned activities.



CAF strives to create stable and quality employment. One of the main features that have enabled CAF to achieve its current competitive position in all its activities is the experience and knowledge of its staff. The percentage of permanent employees in the CAF Group is 90%, and in CAF, S.A. and CAF R&D this increases to 91%.



Turnover of those working in the parent company and the group of national subsidiaries linked to their core business was 1.11% in the 2017 period.

The process of training and evaluation as a central focus of professional development.

The training process is the foundation of training activities, and this can be seen in both the parent company and the group of national subsidiaries linked to their core business.

This process has been systematically reviewed over the years, with a dynamic of continuous improvement integrated into processes management in some cases, and which always meets activity requirements.

With regard to this point, one of the tools available to the business and its people is CAF's training plan. Within the various core business activities, at least a two-year training plan has been developed to support all training activities.

The training plans are developed and carried out with the help of the departments/businesses involved, ensuring these are consistent with the requirements of the systems in place in CAF (ISO, IRIS, OSHAS, MA, etc.) and with the requirements of the markets and/or customers of the various businesses. The Training Plan includes the needs of different operational areas (departments, divisions, businesses, etc.) and crossover processes (quality systems, product quality, product safety, special processes, prevention, environment, regulatory compliance, etc.).

Within the national operations of the core businesses, indicators of activity and effectiveness at the close of the same show positive figures. In 2017, over 2,000 training actions were carried out, involving over 115,000 training hours, which entails an average of 22 hours of training received by personnel during the period. In 2017, 92% of planned training activities took place, and attendance rose to 91%.



In the same way, the satisfaction and efficacy scores for all training actions exceed the targets set for the 2017 period, being 8.42 and 7.78 respectively.



Performance evaluation is included in this process, as one of the elements that revitalize staff development within the organization. 87% of people in both the parent company and the group of companies linked to core businesses received an evaluation. In addition, the group of college graduates and middle management for CAF S.A., CAF R&D, CAF P&A and CAF T&E are included in an evaluation system that includes setting and evaluating targets individually. These evaluation models enable systematic expansion of strategy and targets for each period.

Regarding aspects of crime prevention and compliance with the code of conduct, development of the training program in the group of companies linked to core businesses in the CAF Group began in 2016 and continued throughout 2017. With regard to said program, over 91% of the group included in the training plan have developed it up until now.

Internal mobility as a tool for development.

In addition to being an activity with the flexibility to respond to the needs of projects underway, this tool is considered to be essential for the development of staff throughout their working life. Staff mobility is made possible through training programs included in the two-year training plan, as well as in unplanned training activities where the objective is to gain qualifications in order to take on new responsibilities.

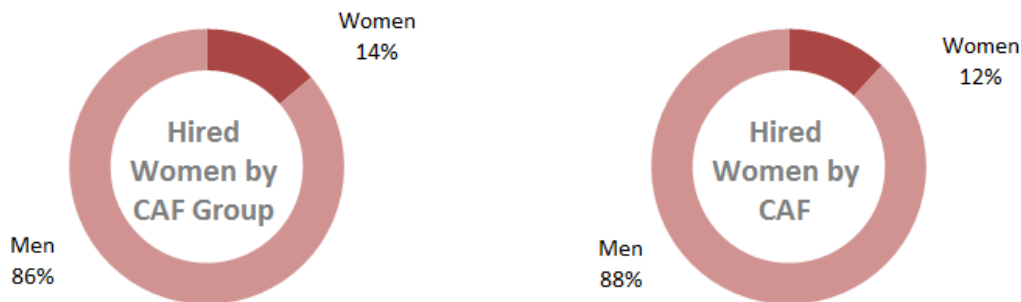
In this context, we can highlight the Competency Strengthening Program launched in 2015 in Beasain and Irún and in 2016 in Zaragoza, which aims to provide opportunities for CAF's employees to access training opportunities, thereby tailoring their profile to future goals and new requirements of the businesses. Around 25% of over 70 participants had the opportunity to change role by taking part in internal mobility processes.

Internal mobility processes are common to all activities in the CAF Group's core businesses.

Equal opportunities

As detailed in CAF's Code of Conduct and Corporate Social Responsibility Policy, one of the cornerstones of CAF's commitment to its employees is to respect diversity, the right to equal treatment and opportunities between men and women. In this regard, the Group actively promotes non-discrimination of all types, direct or indirect, particularly due to gender, and the defense and effective application of the principle of equality between men and women in the workplace, pressing forward to establish measures which favor a balance between work and family life.

Of the total number of employees of CAF, S.A. and CAF R&D, in 2017 12% were women, compared to 11% in 2016. In the CAF Group, the percentage of women rises to 14%.



In this context, CAF, S.A.'s Collective Bargaining Agreement (for the Beasain, Irún and Madrid sites) shows the willingness to promote womens' access to employment and effective application of the principle of equal treatment and non-discrimination in working conditions between men and women. In 2017, the percentage of women who joined CAF within the college graduate group processes rose to 31%, 22% if we consider all groups and incorporations. Finally, it should be highlighted that 20% of incorporations into national subsidiaries of the core businesses were women.

What is more, the Group will adopt the appropriate measures and decisions in the face of any action that constitutes or causes discrimination for reasons of gender.

In order to carry out internal checks on said commitments and the respective initiatives, equality programs and various management mechanisms have been developed in the main companies CAF, SA or Actren, such as equality commissions with representation from the company and its workforce. In 2017 the equality commission in the parent company was placed in charge of the creation, execution and monitoring of the 2015-17 Equality Plan, analyzing possible measures and actions which could help to balance work and family life.

Open Door Days for the Centenary



On the weekend of September 23 and 24, the Beasain plant held two Open Door days to celebrate the Company's Centenary.

They offered the opportunity to visit the inside of the plant and create greater closeness between the company and the families and friends of employees of CAF and of the Group's subsidiaries.

Around 7,000 people had the opportunity to relive or discover our history and learn more about life at CAF today.

4.3 Occupational Health and Safety

Each person who is part of CAF, S.A. has a fundamental role in applying the Occupational Health and Safety Policy. In this Policy, Management expressly states its firm commitment to maintaining and improving the occupational health and safety system in order to ensure compliance with current legislation, undertaking to protect employees from occupational hazards.

Said Policy includes prevention management in all company activities and decisions, as well as at all hierarchical levels: Directors, Management, Employees and Trade Union Representatives.

Occupational Health and Safety Policy



In 2017, an audit of maintenance of certification of the Management System was carried out, on the basis of the requirements of the OHSAS 18001:2007 standard for the Beasain and Irún plants; an assessment of renewal of OHSAS 18001:2007 certification and regulatory audit in the Zaragoza plant; and an assessment of renewal of OHSAS 18001:2007 certification in CAF TE and CAF Signalling. In addition, internal audits were carried out in each of the above facilities, with the aim of internally monitoring the management system implemented in compliance with standard requirements.

Moreover, there is a General Committee for Safety and Occupational Health in place in each plant (Beasain, Irún and Zaragoza) and in CAF PA, CAF TE and CAF Signalling. Directors, Prevention Managers, the Prevention Service and, where applicable, business managers participate in said committees. These committees collect information from different operational levels and approve Occupational Health and Safety Plans, with the involvement of employees. In addition, they take the necessary decisions and monitor suggested actions, with the aim of ensuring the set targets are achieved.

Similarly, CAF's manufacturing plants have work groups, made up of employees, whose goal is to encourage dynamics that bring about improvements, as well as to monitor specific proposed actions in each area and proposals to improve the accident rate in each area. These groups have created a work dynamic with a practical focus which has a close relationship with the working environment, and as such could enable further progression of the preventive culture. There are also other types of forums which monitor topics around prevention.

These existing work groups and various prevention forums serve as channels of communication with the parties involved, through which proposals and relevant topics of interest are collated.

in figures	Beasain	Irún	Zaragoza	Rail Services
Number of occupational accidents	579	98	330	33
Number of fatal occupational accidents	0	0	0	0
Number of occupational accidents resulting in sick leave	86	7	37	18
Work days lost due to accidents	2,037	86	585	652
Incidence rate of occupational illnesses¹	16.2	0	23.94	0

¹Incidence rate of occupational illnesses calculated as (no. of cases of occupational illnesses/no. of employees*10,000).

Occupational Health and Safety Plan

The Occupational Health and Safety Plans in each plant (Beasain, Irún and Zaragoza), as well as in CAF PA, CAF TE and CAF Signalling, set out planning of preventive activity and yearly targets in terms of occupational health and safety.

With regard to accident rate targets, three main indicators are measured: frequency, severity and absolute frequency.

Occupational Health and Safety in figures	2017 results			
	Beasain	Irún	Zaragoza	Rail Services
Frequency $IF = \frac{\text{Number of accident leaves} * 1.000.000}{\text{Worked Hours}}$	23.83	32.6	32	39.67
Severity $IG = \frac{\text{Number of lost working days} * 1.000}{\text{Worked Hours}}$	0.56	0.5	0.51	1.44
Absolute frequency $IF2 = \frac{\text{Number of total accidents} * 1.000.000}{\text{Worked Hours}}$	160.45	293.3	288	73

These three indicators are also measured in CAF TE, CAF PA, CAF Signalling and Trenasa, where the former are monitored on an annual basis.

In order to reduce the accident rate and improve working conditions in plants, the following guidelines have been put together:

- | | |
|----------------|---|
| Beasain | <ul style="list-style-type: none"> • Continue to adopt prevention and protection measures in activities with relevant risks • Continue with implementation of the WinSehtra IT platform as a comprehensive prevention management tool • Finish implementing the Hygiene Guide, and revise procedures for control of products and chemical substances used in the various manufacturing phases • Continue to implement the Comprehensive Ergonomics Plan • Finish implementing the international movement management system • Continue with the specific actions regarding Business Activity Coordination as regards external companies carrying out their activities in our facilities • Move forward with the actions directed at eliminating bad practices in the workshop |
|----------------|---|

Irún	<ul style="list-style-type: none"> • Encourage the use of eyewear in the Structures area • Encourage training in Musculoskeletal Injury Prevention for different staff at the plant and create actions to minimize overexertion when moving units • Creation of a procedure for visits to the plant • Placement of signage for limit types
Zaragoza	<ul style="list-style-type: none"> • Continue with implementation of the WinSehtra IT platform as a comprehensive prevention management tool • Continue with the specific actions regarding Business Activity Coordination as regards external companies carrying out their activities in our facilities • Control of unsafe behavior in plant visits. • Control of use of PPE in the plant. • Monthly monitoring with the Person responsible for implementation of corrective actions, to analyze the status of the points waiting to be executed. • Participation of the Prevention Service in concurrent engineering meetings.
Rail Services	<ul style="list-style-type: none"> • Review of PPEs and lifting gear • Keep inventory of chemical substances and list of PPEs up-to-date • Training on work at height, emergency plans, catenary sectioning, etc. • Development of the CAE tool and update of information on the portal • Dissemination of information brochures.
CAF TE	<ul style="list-style-type: none"> • Continue to carry out Business Activity Coordination both for employees moving to CAF TE work sites and CAF TE employees moving to other work sites. • Improve ergonomic (locomotive apparatus) occupational health in accordance with the information collected in the health monitoring log relating to employees with referral symptoms or any alteration. • Improve control of Personal Protection Equipment for height working and electrical risks by checking their location, expiry dates, inspections carried out, etc. • Analyze application of the II Government Collective Bargaining Agreement for the industry, technology and metal sector services as regards the training employees should receive. • Develop working instructions for specific activities (change of windscreens, covered access to workshops, jacking, use of poles, etc.) • Carry out retraining (fire-extinguishing, first aid, etc.) • Inspect facilities regularly.
CAF PA	<ul style="list-style-type: none"> • Review of all accidents and causes in the monthly meetings of the named prevention group. • Monthly checks on HSW actions in committee P=8 (Staff development). At the end of the year it was decided that the monthly checks would be carried out in the management committee. • Theoretical and practical training on electrical risks, heights, overhead cranes, preventative resources, forklifts and lifting platforms. • Specific theoretical and practical training on handling Lithium-Ion battery locks. • Development and publication of a basic safety protocol for working in external facilities. • Development of a protocol for relocated workers. • Adaptation of facilities to current methods of work. • Adaptation of equipment and machinery to RD 1215. • Review of company processes from a HSW perspective. • Management of business activity coordination; implementation of a management platform.
CAF Signalling	<ul style="list-style-type: none"> • Analysis of local HSW legislation in international projects starting from the bid phase, and training on aspects of prevention for projects awarded. • Project Follow-up during “on-site” execution, through visits, inspections and audits by the HSW area. • Regular sending of “Ecomessages” and “Advance Messages” in the Company information sheet referring to areas of interest related to safety and health. • Creation of internal audits by specialist external companies. • Assessment of the life cycle of the product from a Health and Safety and Environmental perspective. • Development and implementation of the Road Mobility Plan. • Implementation of the Action Plan derived from the Psychosocial Risks Report. • Implementation of the SPA management tool. • Implementation of the Harassment Protocol. • Conduct of an audit oriented towards defense of Legal Responsibility

-
- Implementation of 6'S
-

On another note, the Occupational Health and Safety Plans for the three plants establish the guidelines to follow in relation to promotion and monitoring of health.

The general purpose of health vigilance is to qualitatively improve clinical and work history information with regard to exposure to risk. It focuses on three lines of action: definition specific information to be improved, adapting the IT tool to clinical history requirements.

With regard to health promotion activities, the aim is to collaborate with the National Healthcare System to promote healthy lifestyle habits that improve the mental and physical wellbeing of employees. These are:

- Promotion of a healthy diet and physical exercise
- Giving up consumption of toxic substances
- Prevention of infectious diseases
- Gynecological checks and screening for prostate disease
- Training and information on first aid, hygiene and ergonomics.

5. Contributing to protecting the environment

“CAF carries out its activities under the premise of minimizing negative environmental impact and preventing pollution through promotion of research, development and innovation that improves processes and provision of training for its employees and professionals on proper environmental management and optimal management of natural resources”

**CAF's Corporate Social Responsibility Policy
December 29, 2015**

CAF as an organization aims to fight climate change and care for the environment via two main channels:

- **Offering more efficient means of transport that are respectful to the surroundings.** To do this, CAF carries out numerous Research and Development activities detailed in the 2015-2017 Technology Plan, with the aim of prioritizing the needs of its clients and users: quality, safety and eco-efficiency of its products.

Section 5.1 Sustainable mobility and eco-efficient products.

- **Anticipate the environmental impact of all industrial activities developed.** As noted in CAF's Environmental Policy, the actions carried out are geared towards adopting the necessary and economically viable means to control and minimize significant environmental aspects, such as emissions into the atmosphere, waste generation and energy consumption, among other things.

Section 5.2 Environmental footprint of operations.

CAF's Environmental Policy



5.1 Sustainable mobility and eco-efficient products

The major ecological advantages of rail have made it the most efficient and competitive system, with huge potential to reduce environmental impact, improve quality of life for citizens and actively contribute to protecting the ecosystem.

- Between 1990 and 2013, gas emissions contributing to the greenhouse effect (GHG) arising from transport in the EU increased by around 20%. Currently, transport makes up almost 23% of global CO₂ emissions, of which those from rail make up just 0.7% of global emissions.
- In its "2011 Transport White Paper", the European Commission set the target of reducing CO₂ emissions by 60% for the period between 1990 and 2050. This means a special effort is required in the coming years in order to reduce these emissions.
- With the trend of increasing urbanization, there are ever greater problems with air quality in cities, where it is common for the authorities to take measures to limit circulation of private vehicles.

Sources: UNIFE (Association of the European Railway Industry). International Energy Agency

As the most environmentally-friendly means of transport, the rail sector could make a significant contribution to the fight against climate change. In this context, CAF prioritizes activities aimed at improving energy costs of transport and offering highly efficient alternatives for mobility, which set out a sustainable, clean, ecological, emission-free path to the future.

Eco-efficient technology and products

With the goal of offering more efficient means of transport that are respectful to the surroundings, CAF is involved in implementing the Product Sustainability Function by introducing ecodesign methodology into engineering processes to optimize and control the environmental impact of products from their conception throughout their entire life cycle.



ECODESIGN
Energy saving optimized design



NEW MATERIALS
Light and recyclable



NOISE & VIBRATION FREE TRAINS
Acoustic emission reduction



REGENERATIVE BRAKE (AER)
An energy saving effective solution



LAST GENERATION EQUIPMENTS
Obtaining maximum efficiency



CONSUMPTION REDUCTION
Of auxiliary systems



EFFICIENT DRIVING
Of vehicles and fleet









TRIP TIME REDUCTION
And higher energy efficiency

CAF has taken an active role in developing and implementing methodology aimed at transforming the sector in ecological terms. One example is the company's participation in the "Life Cycle Assessment Topical Group" from the Association of the European Railway Industry UNIFE, aimed at setting out the best ways to implement legislative and regulatory aspects related to ecology in the various processes that define the life of the product.

As a result of all these efforts, in 2011 CAF developed the first verified environmental product declaration (EPD) in the world for a tram, in accordance with standard 14025: the Urbos Tram for the city of Zaragoza. This environmental impact study on the Zaragoza Tram was quantified using a Life Cycle Assessment (LCA) in accordance with Standards ISO 14.040 and ISO 14.044. From this point onwards, CAF has continued to certify products in different sectors (tram, metro and regional train), and is one of the rolling stock manufacturers with the greatest number of EPDs currently registered.

Report on EPDs obtained by CAF rolling stock

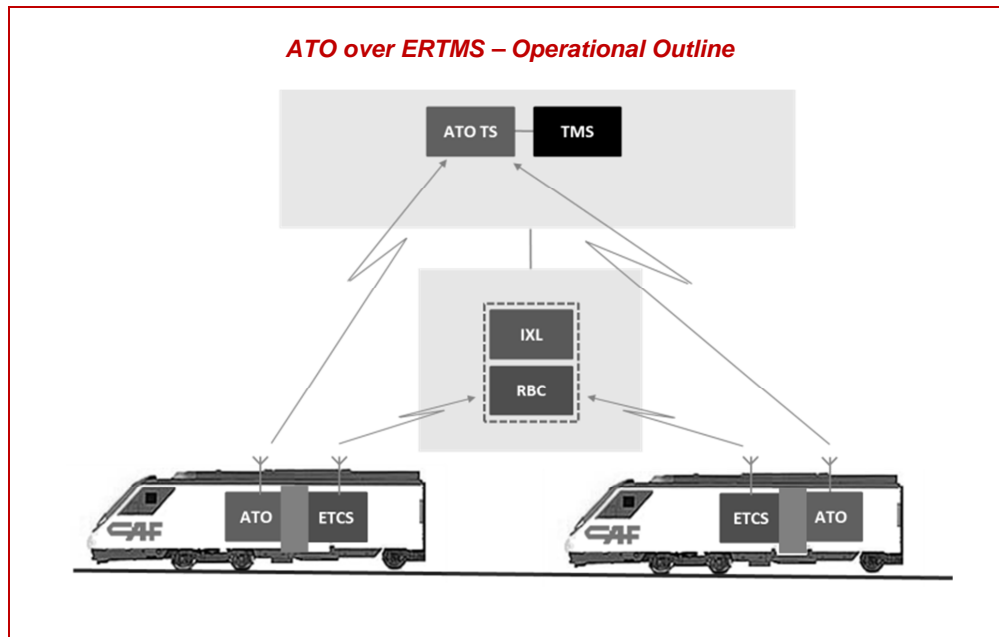
Product/Service	Company	Category
 URBOS 100 tram for the City of Zaragoza	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment
 Urbos AXL for Stockholm Lokaltrafik A35 Tram Units	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment
 CIVITY EMU regional electric train for the Friuli-Venezia Giulia region	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment
 Urbos AXL for Stockholm Lokaltrafik A36 tram units	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment
 Metro Units M300 for Helsinki Metro Transport	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment
 URBOS 100 tram for the City of Kaohsiung	Construcciones y Auxiliar de Ferrocarriles S.A.	Transport equipment

Initiative highlighted Automatic Operation of Energetically Optimized Train

The automatic train driving system over the ERTMS signaling system (ATO over ERTMS) is a European initiative to improve operation of rail traffic.

There are many references to automatic regulation with ATO solutions installed on urban lines where it has been possible to demonstrate the advantages of automation compared to manual control, such as optimization of energy consumption, reduced maintenance costs or reliable execution of the hourly service. However, owing to the many types of train and complexity of mainline infrastructures, so far it has not been possible to take advantage of all these benefits outside urban areas.

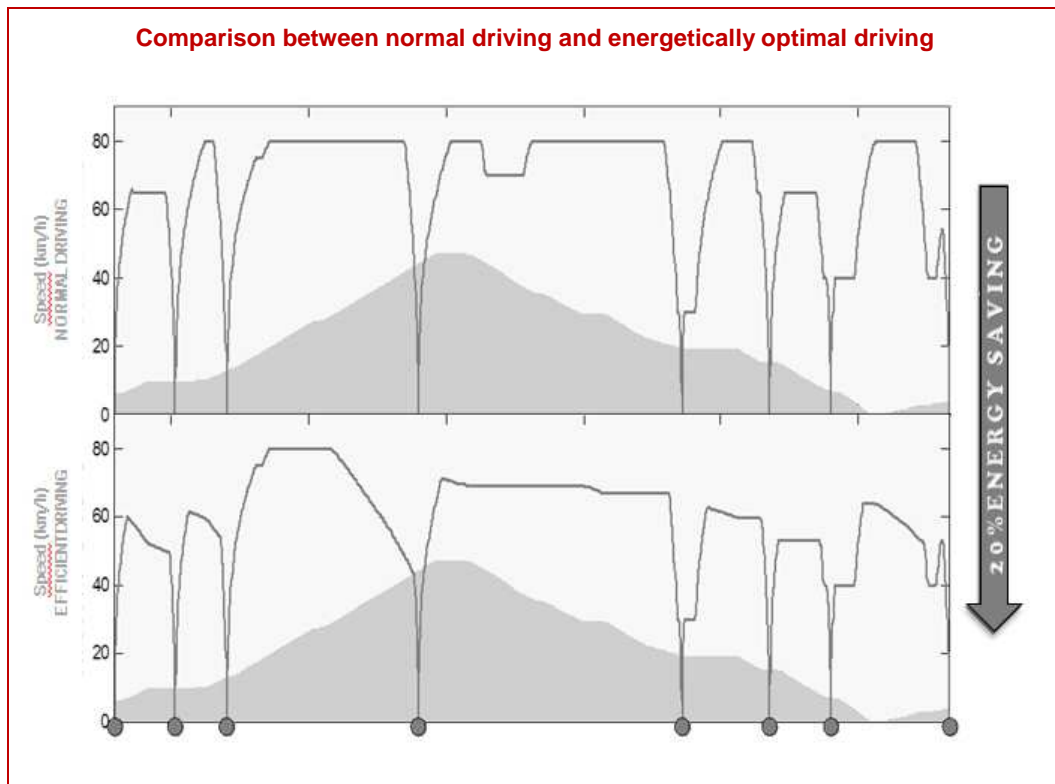
The implementation and extension of ERTMS interoperable lines has made it possible to launch the initiative to implement interoperable ATO solutions. In addition to automating regulation of the service, this allows the line to be used to maximum capacity and the volume of transport of passengers and goods to be increased. When adding to all the above the possibility of establishing energetically optimal automatic driving (EcoDriving), ATO systems over ERTMS are put forward as one of the main technical developments that can improve rail sustainability.



CAF Signalling's AURIGA solution implements signaling and automation functions on both urban and mainline lines. The equipment on board the train and equipment installed on the track maintain continuous radio communication, which on the one hand means the capacity of the line can be improved and on the other hand enables updating of route planning in real-time, with immediate reactions to any unforeseen event or disturbance on the line.

The ATO-Trackside sub-system is connected to the control center and to all trains operating on the line. As well as managing train traffic in operation on the line, it allows movement of all trains to be coordinated by synchronizing acceleration and braking phases in order to recover the energy produced in the braking phases, returning it to the network to be used immediately by a train in acceleration phase. In this way, the energy produced by regenerative brakes can be recovered, rather than lost.

The ATO-Onboard sub-system is responsible for automatically driving the train. The system is able to calculate and follow an optimal driving profile depending on the planned schedule (timetables) and the topology of the track, and also allows energy consumption to be minimized, ensuring train motion that is comfortable for passengers.



AURIGA also offers the operator the ability to control energy consumption on the line according to circumstances, seeking a compromise between consumption and service and adjusting customer expenses to their needs.

5.2 Environmental footprint of operations

CAF's commitment to the environment is not limited to developing eco-efficient products; it can be seen in all its daily activities.

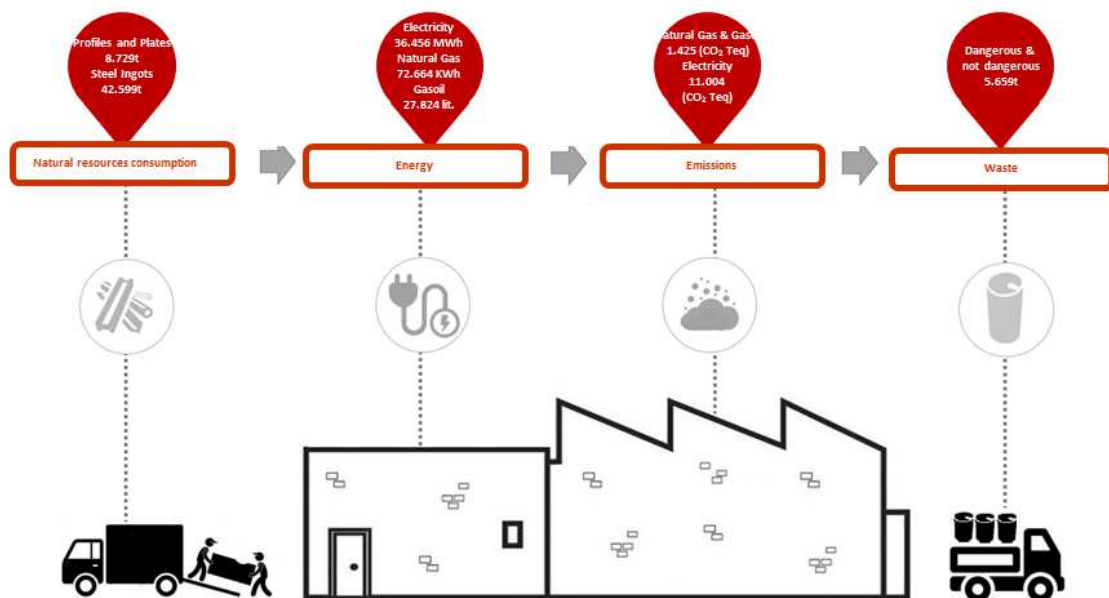
For this reason, CAF Management, aware that the development of its industrial activities has an effect on the environment, includes an environmental policy in the company's general policy, adopting environment protection as one of the goals of the organization.

Environmental management in CAF, S.A.'s manufacturing plants (in Beasain, Irún and Zaragoza) is based on an Environmental Management System which has been certified since 2001 in accordance with Standard ISO 14001:2004. The last audit of maintenance of ISO 14001:2004 certification took place in June of 2017, together with the GAP Analysis Audit for Standard ISO 14001:2015.

Similarly, other centers such as CAF TE and CAF Signalling have implemented an Environmental Management System which is certified based on Standard ISO 14001.

In order to monitor and improve said management systems, CAF has established environmental programs with its own targets, goals and actions. In this way, the centers take control of environmental matters derived from their activity in their own specific way. This minimizes the impact generated, with the goal being to achieve continuous improvement.

Below is a summary diagram with absolute values for the most significant environmental aspects managed during 2017. It should be noted that during 2017, the activity carried out in the steelworks of the CAF manufacturing plant in Beasain stopped, thereby significantly reducing the impact derived principally from energy consumption and waste generation.



Transition of the Environmental Management Systems of all centers to the new version of Standard ISO 14001:2015 is planned for 2018. It should be noted that the current certification of CAF Signalling is based on Standard ISO 14001: 2015.

CAF also keeps channels of communication to the outside world open, with administration, neighbors, associations, etc., ensuring that communication is fluid.

Consumption of natural resources

CAF, S.A. takes into account environmental considerations when buying materials for production processes, focusing particularly on selecting reusable and renewable materials.

Most purchases CAF, S.A. makes are of materials that have already been processed (components), with metal being the most common element. It also acquires raw materials, notably metals (mainly steel and aluminum) intended for manufacture of components and railway vehicles, with the characteristic of 100% renewability.

Besides acquisition of these materials, CAF, S.A. incorporates techniques that contribute to Sustainability in its processes. For example, recycled steel is used to manufacture wheels and axes. Recyclability of products is also analyzed in accordance with Standard ISO 22628.

Furthermore, CAF, S.A. is within the scope of the REACH Regulation and, in turn, requires its suppliers to comply with said regulation. On the one hand, suppliers of the equipment making up the train are required to be in compliance with UNIFE's Railway Industry Substance List (RSIL), which compiles the materials and substances that are specifically prohibited for the rail industry by European and international legislation.

On the other, suppliers of mixtures are required to ensure that manufacturers of substances making up said mixtures comply with REACH upstream suppliers.

Consumption of resources	2017
Profiles and Steel/Aluminum Sheets (t)	8,729
Steel ingots (t)	42,599

Energy

As part of the "Strategic Energy Efficiency Program", the Group set out their main objectives of boosting renewable energy, conservation of energy consumption generated by its activity and the advancement of environmental policies in the Group and in all the rail networks it operates in and cooperates with.

Essentially, and as a result of the action plans from energy audits, actions to reduce energy consumption in the Beasain, Irún and Zaragoza plants in 2017 were based on:

- Replacement and optimization of functioning of key energy efficiency elements in production processes (motors, heat exchangers, fans, etc.)
- Replacement of light fixtures with ones that are more eco-efficient.

Due to the fact that the main activity carried out, and the one in which we have influence in the CAF Signalling and CAF TE centers is that of office work, during 2017 actions to reduce energy consumption in the latter were based on:

- Programming of air conditioning equipment in communal areas to working hours.
- Analysis of schedules in order to start internal air systems
- Raising environmental awareness with efficient use of lighting and equipment.

Energy consumption	2017
Natural gas (KWh)	72,664
Gas oil (l)	27,824
Electrical energy (MWh)	36,456
Energy intensity (total energy consumption (KWh/HHT))	0.32

Emissions

Year after year, CAF, S.A. has incorporated systems into the operation of its facilities which make the most of the advantages of renewable energy, a clean and ecological technology, for example, by using solar panels to generate energy. In fact, the Group plans to increase the amount of renewable energy used for operation of the plants and facilities.

Furthermore, every year in the Beasain center, which is authorized to emit greenhouse gases, the emission of Greenhouse Gases (GHG) is verified by an accredited external company. The investment plan to improve efficiency in CAF, S.A. plants has allowed GHG emissions to be minimized and has helped achieve the objectives of the National Allocation Plan.

In turn, in 2017 we have continued to make progress in reducing emissions of specific substances, such as volatile organic compounds (VOCs). To achieve this, the facilities were adapted in order to make them suitable for use of water-based paints/a hybrid painting process, and this has been established as CAF S.A.'s standard painting process.

Greenhouse gas emissions	2017
<i>Scope 1</i> (CO ₂ Teq)*	1,425
<ul style="list-style-type: none"> • Combustion emissions (CO₂ Teq)* • Process emissions (CO₂ Teq)* 	1,399 26
<i>Scope 2:</i>	
Emissions due to electricity consumption (CO ₂ Teq).	11,004
<i>Intensity:</i>	
Emissions intensity (total CO ₂ emissions)	12,429

Waste

CAF, S.A. is striving to improve separation and assessment of waste produced during manufacture, pursuing measures based on management (for example, raising awareness among employees in terms of separating waste) and on technical procedures (for example, optimization of the circulation circuit of coolant fluid, achieving a 5% reduction in generation of used coolant fluid).

It should also be noted that the Group is involved in the manufacture of products with great potential to be recycled or reused. In accordance with the Life Cycle Assessment carried out for certain products, such as the Urbos 100 in Zaragoza or the Helsinki Metro, its potential for recyclability and recoverability is greater than 90%.

Waste generated (*)	2017
Dangerous (tons)	749
Not dangerous (tons)	4,910

(*) Data is shown for the manufacturing plants only (Beasain, Irún and Zaragoza), due to their representativeness.

6. The social value of our activity

“CAF is committed to the local, national and international community, and carries out and promotes initiatives focused on improving the quality of life of people in the communities in which it operates and in the environment in which its activities are conducted. CAF undertakes to involve itself in the various communities it interacts with through cooperation in development and the support of the various Public Administrations and relevant public and private bodies.

**CAF's Corporate Social Responsibility Policy
December 29, 2015**

In addition to agreeing to observe, in the strictest sense, the legal system currently in place in all territories in which it carries out its activities, CAF also includes in its Code of Conduct its commitment to adopt measures that ensure respect for fundamental rights, the principals of equality of treatment and non-discrimination, protection against the exploitation of children in the workplace and any other principles contained in the Universal Declaration of Human Rights and the United Nations Global Compact regarding human rights, employment rights, the environment and fighting corruption.

Pursuant to the above, 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 wellbeing of society in general, through sustainable mobility solutions which respect the environment, as has already been indicated throughout this report.

CAF commits to promoting actions that contribute to the wellbeing and development of local communities, some of which are intrinsic to its own activity and others which relate to collaborative and participatory initiatives. These can be grouped into four categories: the economic environment, generation of knowledge, collaboration with education and training bodies and cultural and social aspects.

6.1 Economic development in the surrounding areas

We have a commitment to the local economy, which involves two areas that are fundamental, though not unique, to us.

The first is reflected through generation of quality employment in the areas where CAF carries out its activities. Quality of employment translates as suitable general conditions and the pursuit of creation of permanent employment. The figures can be seen in section “4 Excellence in our team”.

The second concerns specific initiatives and acts that may affect the economy of the places in which CAF operates, contributing to boosting growth of the business network with a different intensity and reach. In this second area, CAF acts at local and international level.

Among these activities, worth highlighting is the regional collaboration which began over 9 years ago and which came to life in the form of Goierri Valley and CAF’s participation in the project as a driving force and member of the Board of Directors.

Goierri Valley

In 2017 33 companies launched Goierri Valley, which was born with the vision that it would be the powerhouse for industrial transformation in the county of Goierri. Its objective is to promote industry development in the county of Goierri by fostering collaboration between companies and other public agents in areas that affect competitiveness (diversification of markets and products, innovation and training).

In 2017, the Challenge 1 Inter-cooperation network began, with three main objectives:

- To provide knowledge of information on the strategy of major companies
- To develop the relationship between major companies and SMEs to generate value-added projects
- To work together to carry out value-added projects for: new products, sectors, markets and management.

CAF participates in the Win&Win project included in this challenge.

With a different intensity and broader reach, CAF continues to participate in the activities of organizations in the world of economics which are relevant to the company or the sector. The attached report lists some of the organizations it participated in during 2017.

- ADEGI Business Association of Gipuzkoa
 - APD Management Progress Association
 - Chamber of Commerce
 - CEOE
 - Entrepreneurs' Circle
 - Exporters Club
 - EUSKALIT Basque Foundation for Promotion of Quality
 - Federation of Metal Companies of Zaragoza, FEMZ
 - New Economy Forum
 - Aragonese Promotion Institute
 - MAFEX Spanish Railway Association
 - Rail Forum
 - UITP (Union Internationale des Transports Publics [International Association of Public Transport])
 - UNIFE European Rail Industry Association
-

In all these organizations CAF has the right to both represent the company's interests and contribute from its position and role as a major company on aspects that may be of general interest.

6.2 Knowledge generation

As in previous financial years, CAF has continued to collaborate on knowledge generation in the areas it operates. In 2017 CAF had several initiatives underway. These can be grouped into three categories:

- Participation in the bodies governing or managing research centers.
- Long-term collaboration with universities and research centers to develop knowledge.
- Participation in public or private bodies focused on innovation.

Below are reports from some of the activities in this context.

Governing or Managing Bodies of Technology Centers

CEIT – IK4	CAF collaborates with this technology center dedicated to applied research in support of the industry. CAF is a member of the CEIT – IK4 trust and forms part of its governing bodies as a member of its Strategic Council.
CiC Nanogune	CAF collaborates with CiC Nanogune, a center devoted to research excellence in nanoscience and nanotechnology, acting as spokesperson for the board of directors.
Lortek –IK4	IK4-Lortek is an innovative research center with excellent command of joining technologies. CAF collaborates with Lortek – IK4 as a member of its trust.
Tecnalia	CAF is a collaborating partner for the TECNALIA RESEARCH & INNOVATION foundation, a large-scale multidisciplinary technology center. It is also a member of its trust and spokesperson for its executive board.

Collaboration to develop knowledge

CAF Railway Laboratory - Tecnun - CEIT	<p>CAF's collaboration with the CEIT technology center and the Tecnun School of Engineering, both located in the campus of the University of Navarra in San Sebastián, has been in place for decades, embodied in activities like the development of collaborative research projects, joint organization of courses and seminars, and teaching assignments. With regard to this last point, it should be noted that CAF engineers always form part of Tecnun's teaching body.</p> <p>In June 2001, a first collaboration agreement was signed by the three entities that has been continuously renewed until today, with the objective of increasing the technological knowledge of the signing entities and improving the preparation of future engineers, founding the Railway Laboratory. This initiative has helped channel carrying out applied research projects and bachelor's and doctoral theses, and the installations and equipment have been adapted to generate knowledge in the railway field.</p>
CAF Classroom - Mondragon Unibertsitatea (MU)	<p>For several years, CAF has maintained a collaboration agreement with the Mondragón's Higher Polytechnic School that has taken shape in a Research Program and the transfer of collaboration.</p> <p>This framework includes collaborating to design programs for teachers, participation in presenting, evaluating and defining projects and designing experiences at the company. All of the foregoing has the purpose of ensuring that the relevant studies are aligned with the company's real needs that improve the knowledge and professional capacities of students, and finally, to promote the transfer of knowledge.</p> <p>The Classroom has the adequate space and equipment to carry out these functions</p>

Participation in public or private entities oriented toward innovation

Shift2Rail	Shift2Rail is the first European railway initiative for carrying out R&D activities and searching for market-oriented solutions through accelerating the integration
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of advanced technologies in innovative railway products.

CAF is a founding member of Shif2Rail and forms part of the board of directors.

European Railway Research Advisory Council (ERRAC)

It is the European technological platform for the railway sector. The European Commission, member states, European Union Agency for Railways (ERA) and all of the important actors in the railway sector participate in this platform, including the industry, operators, infrastructure managers, technology centers and universities. The main objective of ERRAC is to transmit to the European institutions a common vision to guide R&D in the railway sector.

CAF actively participates in the ERRAC work groups and is also a member of the initiative's board of directors

Innobasque

Innobasque is a private non-for-profit association that incorporates civil society, companies, scientific-technological agents and the administration to encourage innovation in the Basque Country, with the following focuses:

- To act as an engine of social and economic transformation toward a sustainable Basque Country
- To build innovative solutions to resolve the great social, economic and environmental challenges in the Basque Country
- To work collaboratively, generating new social relationships and models of collaboration that transform society

CAF forms part of the board of directors of the Innobasque initiative

Fik

It is a private initiative of interdisciplinary technological and scientific development led by the technological center Tecnalia, oriented toward aging and functional diversity, with the final objective of producing products and/or services that allow maximizing personal autonomy, independence, health and quality of life of the group of elderly people and those with functional diversity.

CAF participates as a partner.

Bind 4.0 (Basque Industry 4.0)

Bind 4.0 is a public-private program whose main objective is to attract and accelerate startups, promoted by the Basque Government through the SPRI development agency.

CAF collaborates with this initiative to support new innovative businesses.

6.3 Collaboration in the education field

CAF remains committed to training future professionals. To do so, it has established a series of collaboration agreements with educational institutions and entities that promote the employment of young people in the field in which it operates.

Educational entities and employment-promotion entities

- Alecop
- San Valero School
- University-Enterprise Foundation of Zaragoza
- Novia Salcedo Foundation
- University-Enterprise Foundation
- Goierri School
- Lanbide
- STEP Program
- Carlos III University
- CEU University
- Complutense University
- Deusto University
- Almunia University
- Mondragón University
- Navarra University
- Zaragoza University
- Basque Country University
- Polytechnic University of Madrid
- Pontificia de Comillas University
- Rey Juan Carlos University

These collaboration agreements allow CAF employees to access training programs. However, its main objective is to offer transition opportunities between training and the professional world through stays in different headquarters of the CAF Group both locally and internationally.

With this objective, in 2017, more than 150 stays were offered to facilitate the culmination of the studies through curricular practices, development of bachelor's and master's theses, and post-graduate activities, providing a first work experience complemented with training.

In this light, it continues to promote the possibility of developing doctoral theses in innovative matters and applications linked to the activities of the CAF Group (for example, País Vasco University, Navarra University and Deusto University).

In this field, both CAF and some of the subsidiaries of the Group collaborate with the Novia Salcedo Foundation with the objective of accompanying young people during their professional integration, with the desire to anticipate and collaborate.

Scholarship Programs for Internationalization

CAF is clearly committed to internationalization and is aware of the need to have people with an international profile. Promoting this profile in the company is considered important, and to do so, CAF collaborates with public entities like the Spanish Institute of Foreign Trade (ICEX) and the Basque Government in its scholarship programs for internationalization that have had a presence in 2017 in different offices that CAF has abroad.

ICEX Scholarships	The objective of these scholarships is to train young professionals specialized in providing business internationalization services. Through them, it offers an excellent opportunity to obtain solid theoretical training in international trade and a practical specialized training in the different offices of the Exterior Network of the Secretary of State for Trade in Spanish companies with international activity or in international institutions.
Global Training Scholarships of the Basque Government	This program provides young people with a university degree and higher degrees of professional training—a powerful mechanism that allows doing paid internships at companies and organizations abroad, in activities and projects related to their academic and professional profile for at least 6 months.
Internationalization Scholarships of the	The purpose of this program is to train young people with university degrees in internationalization so that in the future, Basque companies and other entities can have a base of professionals that allow them to

Basque Government	effectively handle the challenges of the open economy.
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Throughout 2017, scholarship periods have been developed in CAF's headquarters in countries like England and Scotland in the United Kingdom, Hungary, Italy, Germany, Holland, Luxembourg, France and Chile, among others.

In this regard, students from different educational entities have frequently visited CAF's plants to discover the activity that is developed in general or some specific activities.

6.4 Collaboration with social and/or cultural initiatives

In addition to the different initiatives indicated, CAF collaborates with other public and/or private entities to support social, learning and cultural projects that positively impact the communities where they are located.

Throughout 2017, CAF has actively collaborated with the institutions described below, contributing to their development.

Donostia International Physics Center	CAF collaborates with this center, of which it was a founding member of the board since its creation, which has the objective of scientific research in the field of basic and applied physics in areas of interest to Basque society and international scientific development.
Elhuyar Foundation	Each year, along with the Elhuyar Foundation, CAF presents the CAF-Elhuyar Award to promote scientific culture in the Euskera language. These awards have the objective of driving, awarding and recognizing the dissemination of scientific and technological works carried out in the Euskera language.
SuEskola Foundation	CAF collaborates with this foundation that is constituted as a training center in preventing and extinguishing fires, which uses innovative technology with real fire.

Among other activities that are carried out to promote the use of Euskera in the work centers in Beasain and Irún, the company stood out in 2017 by obtaining the Bikain certification in the silver category. This recognition is a certificate of quality in the linguistic management of Euskera in the professional environment.

7. Additional information

“Transparency in the information provided to the different interest groups, transferring relevant and true information about CAF’s activities and results and fulfilling the existing legal requirements of public information”

CAF’s Corporate Social Responsibility Policy
Tuesday, December 29, 2015

7.1 About this Report

CAF's Corporate Social Responsibility (CSR) Report is one of the main communication tools in this field and in the relationship with its interest groups.

Scope

The present report is the second annual specific Corporate Social Responsibility document that CAF is publishing.

The information provided in it covers CAF's activities at the group level. In the cases of limitations of scope, coverage or other aspects about the information, the appropriate specifications have been made in the chapter itself or in the tables of Global Reporting Initiative indicators (GRI version G4).

The report refers to the period between January 1 and December 31, 2017.

In addition, the present report is supported by other reports to more specifically disclose certain matters, like for example, CAF's Consolidated Financial Statements corresponding to the year-ended December 31, 2017, in this case, in order to strengthen information in the economic field; or the 2017 Annual Corporate Governance Report to reinforce those topics related to CAF's Corporate Governance Model.

International standards used to prepare this report

This report is adapted to the international standard Global Reporting Initiative (GRI) in its G4 version, Core option.

Relevant aspects and participation of the interest groups

CAF maintains an active dialog with all of its interest groups to identify and respond to the topics in which it is interested. In this regard, to prepare this report, it has considered the materiality analysis carried out to identify the most relevant aspects that it wants to respond to.

For any clarification, question or suggestion related to the report, contact:

rsc@caf.net

7.2 GRI Table of Contents

GENERAL BASIC CONTENT GRI G4			
Indicator	Definition	Ref. No.	Scope
STRATEGY AND ANALYSIS			
G4-1	Include a statement from the main person responsible for the organization's decisions (the person who holds the position of executive director, president or similar) regarding the importance of sustainability for the organization and its strategy and how to implement this strategy.	2016 Annual Report – Letter from the President.	CAF Group
G4-2	Describe the main effects, risks and opportunities.	2016 Annual Report – Letter from the President. 2017 Annual Corporate Governance Report – Section E.3. 2017 Consolidated Group Management Report – Model of the CAF Group Business and Perspectives. 2017 Consolidated Group Management Report – Main Risks and Uncertainties	CAF Group
PROFILE OF THE ORGANIZATION			
G4-3	Name of the organization.	Construcciones y Auxiliar de Ferrocarriles, S.A.	CAF Group
G4-4	The most important brands, products and services of the organization.	2017 Consolidated Group Management Report – Industrial Activity.	CAF Group
G4-5	Place where the organization's headquarters is located.	Calle José Miguel Iturriz, 26. 20.200 Beasain (Guipúzcoa). Spain.	CAF Group
G4-6	Indicate in how many countries the organization operates and name those countries where the organization carries out significant operations or that have a specific relevance for the matters related to sustainability that are addressed in the report.	3.1 Excellence in Customer Relations. 2017 Consolidated Group Management Report – Commercial Activity.	CAF Group
G4-7	Describe the nature of the ownership regime and its legal form.	2017 Annual Corporate Governance Report – Section A. 2017 Financial Statements of the Consolidated Group – Note 14a) of the Report.	CAF Group
G4-8	Indicate from which markets it is served (with a geographic breakdown, by sectors and types of clients and beneficiaries).	3.1 Excellence in Customer Relations. 2017 Consolidated Group Management Report – Commercial Activity.	CAF Group
G4-9	Determine the size of the organization, indicating: - number of employees; - number of operations; - net sales or net income; - capitalization, broken down in terms of debt and assets; and - amount of products or services that are offered.	4.1 The value of our human capital. 2016 Annual Report – Letter from the President. 2017 Consolidated Group Management Report – Industrial Activity. 2017 Consolidated Group Management Report – Human Resources.	CAF Group
G4-10	a. Number of employees by work contract and sex. b. Number of fixed employees by type of contract and sex. c. Size of the staff in terms of employees, external workers and sex. d. Size of the staff by region and sex. e. Indicate if a substantial part of the organization's work is carried out by legally recognized freelancers, or people that are neither employees, nor external workers, such as the employees and workers subcontracted by the contractors. f. Communicate any significant change in the number of workers.	4.1 The value of our human capital.	CAF Group
G4-11	Percentage of employees covered by collective bargaining agreements.	100% of the employees are covered by their corresponding collective bargaining agreement.	CAF, S.A. and national affiliates of the CAF Group
G4-12	Describe the organization's supply chain.	3.5 Responsible supply chain.	CAF Group
G4-13	Communicate any significant change that has taken place during the period that is the object of analysis in terms of the size, structure, share ownership and the organization's supply chain.	2017 Financial Statements of the Consolidated Group – Note 2 F, Note 9 and Note 14a) of the Report.	CAF Group
PARTICIPATION IN EXTERNAL INITIATIVES			
G4-14	Indicate how the organization approaches the principle of precaution, if applicable.	2.2 Risk Management. 2017 Annual Corporate Governance Report – Section E. 2017 Consolidated Group Management Report – Main Risks and Uncertainties	CAF Group
G4-15	Create a list of the letters, principles or other external initiatives of economic, environmental and social nature that the organization subscribes to or has adopted.	6. The social value of our activity.	CAF Group
G4-16	Create a list of the associations and organizations of national or international promotion that the organization belongs to and in which it: - holds a position on the governing body; - participates in projects or committees; - makes a notable contribution of funds, in addition to the obligatory membership fees; - considers that being a member is a strategic decision.	6. The social value of our activity.	CAF Group
MATERIAL ASPECTS AND COVERAGE			
G4-17	a. Create a list of the entities that appear on the organization's consolidated financial statements and other equivalent documents. b. Indicate if any of the entities that appear on the organization's financial statements and other equivalent documents do not appear in the report.	2017 Financial Statements of the Consolidated Group – Note 2 F and Note 9 of the Report.	CAF Group

G4-18	a. Describe the process that has been followed to determine the content of the report and the coverage of each aspect. b. Explain how the organization has applied the principles of preparing the reports to determine the content of the report.	1.3 Materiality.	CAF Group
G4-19	Create a list of the material aspects that were identified during the process of defining the content of the report.	1.3 Materiality.	CAF Group
G4-20	Indicate the coverage within the organization of each material aspect.	1.3 Materiality.	CAF Group
G4-21	Indicate the coverage outside the organization of each material aspect.	1.3 Materiality.	CAF Group
G4-22	Describe the consequences of the restatements of the information of previous reports and their causes.	N/A	CAF Group
G4-23	Indicate any significant change in the scope and coverage of each aspect with respect to the previous reports.	1.1 The overview of CAF and CSR. This includes the scope of each indicator and each information reported.	CAF Group
PARTICIPATION OF THE INTEREST GROUPS			
G4-24	Prepare a list of the interest groups related to the organization.	1.2 Our Interest Groups.	CAF Group
G4-25	Indicate the bases for selecting the interest groups with which it works.	1.2 Our Interest Groups.	CAF Group
G4-26	Describe the organization's focus on the participation of the interest groups, including how often it collaborates with the different types and interested groups of parties, or indicate if the participation of a group was done specifically in the process of preparing the report.	1.2 Our Interest Groups.	CAF Group
G4-27	Indicate which questions and key problems emerged as a result of the participation of the interest groups and describe the evaluation carried out by the organization through its report, among other aspects. Specify which interest groups posed each one of the topics and key problems.	1.2 Our Interest Groups.	CAF Group
PROFILE OF THE REPORT			
G4-28	Period object of the report (for example, fiscal year or calendar year).	7.1 About this Report.	CAF Group
G4-29	Date of the last report (if applicable).	2016 CSR Report. February 2017.	CAF Group
G4-30	Report presentation cycle (annually, biannually, etc.).	7.1 About this Report.	CAF Group
G4-31	Provide a point of contact to solve the questions that may emerge in relation to the content of the report.	7.1 About this Report.	CAF Group
GRI INDEX			
G4-32	a. Indicate which option "of compliance" with the Guide the organization has chosen. b. Provide the GRI Index of the option chosen. c. Provide the reference to the external verification report if the report has been subject to said verification.	7. Additional information.	CAF Group
VERIFICATION			
G4-33	a. Describe the organization's policy and practices in force with respect to the external verification of the report. b. If they are not mentioned in the verification report attached to the sustainability report, indicate the scope and basis of the external verification. c. Describe the relationship between the organization and the providers of the verification. d. Indicate if the supreme governing body or upper management have been participants in the external verification request for the organization's sustainability report.	N/A	CAF Group
GOVERNANCE			
THE GOVERNANCE STRUCTURE AND COMPOSITION			
G4-34	Describe the organization's governance structure, without forgetting the committees of the supreme governing body. Indicate which committees are responsible for making decisions about economic, environmental and social matters.	2017 Annual Corporate Governance Report – Section C.	CAF Group
G4-40	Describe the processes of appointing and selecting the supreme governing body and its committees, in addition to the criteria on which the appointment and selection of the members of the first body are based.	2.1 System of Corporate Governance and Regulatory Compliance. 2017 Annual Corporate Governance Report – Sections C.1.5, C.1.6, C.1.6 bis, C.1.19.	CAF Group
G4-41	Describe the processes through which the supreme governing body prevents and manages possible conflicts of interest. Indicate if the conflicts of interest are communicated with the interest groups.	2.1 System of Corporate Governance and Regulatory Compliance. 2017 Annual Corporate Governance Report – Sections C.1.5, C.1.6, C.1.6 bis, C.1.19.	CAF Group
FUNCTIONS OF THE SUPREME GOVERNING BODY IN TERMS OF MANAGING RISK			
G4-45	a. Describe the function of the supreme governing body in the identification and management of the impacts, risks and opportunities of economic, environmental and social nature. Indicate what is the role of the supreme governing body in applying the processes of due diligence. a. Indicate if visits to the interest groups are carried out to be used by the supreme governing body to identify and manage the impacts, risks and opportunities of economic, environmental and social nature.	2.2 Risk Management. 2017 Annual Corporate Governance Report – Section E.6. 2017 Consolidated Group Management Report – Main Risks and Uncertainties.	CAF Group
G4-46	Describe the function of the supreme governing body in analyzing the efficacy of the organization's risk management processes in terms of the economic, environmental and social matters.	2.1 System of Corporate Governance and Regulatory Compliance. 2017 Annual Corporate Governance Report – Section E.6.	CAF Group

G4-47	Indicate how often the supreme governing body analyzes the impacts, risks and opportunities of economic, environmental and social nature.	2.2 Risk Management. 2017 Annual Corporate Governance Report – Section E.6. 2017 Consolidated Group Management Report – Main Risks and Uncertainties.	CAF Group
REMUNERATION AND INCENTIVES			
G4-51	a. Describe the remuneration policies for the supreme governing body and upper management. b. Relate the performance criteria that affect the remuneration policy to the economic, environmental and social objectives of the supreme governing body and upper management.	Remuneration Policy of the Directors of “Construcciones Y Auxiliar De Ferrocarriles, S.A.” of June 10, 2017. 2017 Annual Corporate Governance Report – Sections C.1.15, C.1.16. 2017 Annual Report on Remunerations of the Directors of Listed Companies.	CAF Group
G4-52	Describe the processes through which the remuneration is determined. Indicate if consultants are used to determine the remuneration and if they are independent of the management. Indicate any other type of relationship regarding remuneration that these consultants may have with the organization.	2017 Annual Corporate Governance Report – Sections C.1.15, C.1.16, C.2.1. 2017 Annual Report on Remunerations of the Directors of Listed Companies.	CAF Group
ETHICS AND INTEGRITY			
G4-56	Describe the values, principles, standards and regulations of the organization, such as codes of conduct and codes of ethics.	1.1 The Overview of CAF and CSR. Values. 2.3 Ethics in the businesses and prevention of fraud and corruption. 2017 Annual Corporate Governance Report – Section F.1.2.	CAF Group
G4-57	Describe the internal and external mechanisms of consulting for the sake of ethical and licit conduct, and to consult the matters related to the organization’s integrity, such as telephone assistance lines or consulting.	2.3 Ethics in the businesses and prevention of fraud and corruption. 2017 Annual Corporate Governance Report – Section F.1.2. 2017 Consolidated Group Management Report – Fight Against Corruption and Bribery.	CAF Group
G4-58	Describe the internal and external mechanisms of denouncing unethical or illicit conduct and matters related to the organization’s integrity, such as tiered reporting to management, mechanisms of denouncing irregularities or telephone assistance lines.	2.3 Ethics in the businesses and prevention of fraud and corruption. 2017 Annual Corporate Governance Report – Section F.1.2.	CAF Group
SPECIFIC BASIC CONTENT GRI G4			
Indicator	Definition	Ref. No.	Scope
ECONOMY			
ECONOMIC PERFORMANCE			
EC2	Economic consequences and other risks and opportunities for the organization’s activities that are derived from climate change.	5.1 Sustainable mobility and eco-efficient products. 2017 Consolidated Group Management Report – Main Risks and Uncertainties.	CAF Group
EC3	Coverage of the organization’s obligations resulting from its plan of provisions.	2017 Financial Statements of the Consolidated Group – Note 3J, Note 15 and Note 20 of the Report.	CAF Group
EC4	Economic aid granted by governing bodies.	2017 Financial Statements of the Consolidated Group – Note 15 and Note 21 D of the Report.	CAF Group
PRESENCE ON THE MARKET			
EC5	Relationship between the initial salary broken down and the local minimum salary in places where significant operations are carried out.	The group of CAF employees has a salary greater than the minimum established by law in each corresponding country.	CAF Group
INDIRECT ECONOMIC CONSEQUENCES			
EC8	Significant indirect economic impacts and scope thereof.	6. The social value of our activity.	CAF, S.A. and the main businesses of its national affiliates.
ACQUISITION PRACTICES			
EC9	Percentage of the cost in the places with significant operations that correspond to local suppliers.	A supply is considered local when it comes from the same country in which the analysis is based. In 2017, 68% of the total cost in purchases corresponded to local suppliers of the business units of Vehicles and Rail Services.	CAF Group
THE ENVIRONMENT			
MATERIAL			
EN1	Materials used, by weight or volume.	5.2 Environmental footprint on the operations. Consumption of Natural Resources.	CAF, S.A.

EN2	Percentage of the materials used that are recycled materials.	5.2 Environmental footprint on the operations. Waste.	CAF, S.A. and the main businesses of its national affiliates.
ENERGY			
EN3	Internal energy consumption.	5.2 Environmental footprint on the operations. Energy.	CAF, S.A. and the main businesses of its national affiliates.
EN5	Energy intensity.	5.2 Environmental footprint on the operations. Energy.	CAF, S.A. and the main businesses of its national affiliates.
EN6	Reduction of energy consumption.	5.2 Environmental footprint on the operations. Energy.	CAF, S.A. and the main businesses of its national affiliates.
EN7	Reductions of the energy requirements of the products and services.	5.1 Sustainable mobility and eco-efficient products.	CAF Group
WATER			
EN8	Total water collected from sources.	In 2017, a total of 78,922 m ³ were collected, of which 49,122 m ³ were from surface water, and 29,800 m ³ from municipal water.	CAF, S.A.
EN9	Sources of water that have been significantly affected by collecting water.	Significantly affected sources of water have not been detected.	CAF, S.A. and the main businesses of its national affiliates.
BIODIVERSITY			
EN11	Owned, leased or managed operating facilities that are adjacent, contain or are located in protected areas and unprotected areas with a great value of biodiversity.	N/A	CAF, S.A. and the main businesses of its national affiliates.
EN12	Description of the most significant impacts on the biodiversity of protected areas or unprotected areas of high biodiversity, derived from the activities, products and services.	N/A	CAF, S.A. and the main businesses of its national affiliates.
EN13	Protected or restored habitats.	N/A	CAF, S.A. and the main businesses of its national affiliates.
EN14	Number of species included on the red list of the IUCN and on national conservation lists whose habitats are in areas affected by the operations, according to the level of danger of the species going extinct.	N/A	CAF, S.A. and the main businesses of its national affiliates.
EMISSIONS			
EN15	Direct emissions of greenhouse gases (Scope 1)	5.2 Environmental footprint on the operations. Emissions.	CAF, S.A.
EN16	Indirect emissions of greenhouse gases by generating energy (Scope 2)	5.2 Environmental footprint on the operations. Emissions.	CAF, S.A. and the main businesses of its national affiliates.
EN18	Intensity of the greenhouse gas emissions.	5.2 Environmental footprint on the operations. Emissions.	CAF, S.A. and the main businesses of its national affiliates.
EN19	Reduction of the greenhouse gas emissions.	5.2 Environmental footprint on the operations. Emissions.	CAF, S.A.
EN20	Emissions of substances that deplete the o-zone layer.	N/A	CAF, S.A. and the main businesses of its national affiliates.
EFFLUENTS AND WASTES			
EN22	Total water discharge by quality and destination.	In 2017, 45,078 m ³ were discharged to the sewage network. Both industrial and sewage waters, if required, are pre-treated according to the pertinent regulation. In addition, the discharge points are analyzed in order to compare compliance with the legal parameters.	CAF, S.A.
EN23	Total weight of the waste, according to the type and method of treatment.	5.2 Environmental footprint on the operations. Waste.	CAF, S.A. and the main businesses of its national affiliates.

EN24	Total number and volume of the significant spills.	No significant spills have been detected.	CAF, S.A. and the main businesses of its national affiliates.
EN26	Identification, size, state of protection and value of the biodiversity of the bodies of water and the related habitats significantly affected by spills and runoff from the organization.	No significant conditions have been detected in this regard.	CAF, S.A. and the main businesses of its national affiliates.
PRODUCTS AND SERVICES			
EN27	Degree of mitigating the environmental impact of the products and services.	5.1 Sustainable mobility and eco-efficient products.	CAF Group
EN28	Percentage of the products sold and their packaging materials that are replaced at the end of the useful life, by categories of products.	5.1 Sustainable mobility and eco-efficient products.	CAF Group
REGULATORY COMPLIANCE			
EN29	Monetary value of the significant fines and the number of non-monetary sanctions due to violating the legislation and the environmental regulations.	2017 Financial Statements of the Consolidated Group – Note 21 C of the Report.	CAF Group
GENERAL			
EN31	Breakdown of the costs and environmental investments.	5.2 Environmental footprint on the operations.	CAF, S.A.
ENVIRONMENTAL EVALUATION OF THE PROVIDERS			
EN32	Percentage of the new providers that are examined as a function of the environmental criteria.	To date, CAF, S.A. has carried out 286 environmental evaluations of providers, 72 of them in 2017.	CAF, S.A.
EN33	Significant, real and potential negative environmental impacts on the supply chain and measures in that regard.	No significant negative impacts have been detected in this regard.	CAF, S.A.
SOCIAL PERFORMANCE			
Labor practices and decent work			
EMPLOYMENT			
LA1	Number and rate of concentrations and average rotation of employees, broken down by group of age, sex and region.	4.1 The value of our human capital.	CAF, S.A. and the main businesses of its national affiliates.
LA2	Social provisions for the full-time employees that are not offered to temporary or part-time employees, broken down by significant locations of activity.	Collective bargaining agreements that apply to the scope mentioned.	CAF, S.A. and the main businesses of its national affiliates.
RELATIONS BETWEEN THE WORKERS AND ADMINISTRATION			
LA4	Minimum periods of advance notice of operating changes and their possible inclusion into the collective bargaining agreements.	The applicable legislation in this regard is complied with.	CAF, S.A. and the main businesses of its national affiliates.
HEALTH AND SAFETY IN THE WORKPLACE			
LA5	Percentage of workers that is represented on formal joint management-employee health and safety committees, established to help control and advise on workplace safety and health programs.	100%	CAF, S.A. and the main businesses of its national affiliates.
LA6	Type and rate of injuries, professional diseases, days missed, absenteeism and number of mortal victims related to the work by region and sex.	4.2 Prevention of Workplace Risks	CAF, S.A. and the main businesses of its national affiliates.
LA7	Workers whose profession has an elevated incidence or risk of illness.	No professions with an elevated incidence or risk of illness have been detected.	CAF, S.A. and the main businesses of its national affiliates.
LA8	Matters of health and safety covered in formal agreements with the unions.	4.2 Prevention of Workplace Risks	CAF, S.A. and the main businesses of its national affiliates.
TRAINING AND EDUCATION			

LA9	Average annual years of training per employee, broken down by sex and work category.	4.1 The value of our human capital.	CAF, S.A. and the main businesses of its national affiliates.
LA10	Skill-management programs and continuous training that encourage the employability of workers and help them to manage the end of their professional careers.	4.1 The value of our human capital.	CAF, S.A. and the main businesses of its national affiliates.
LA11	Percentage of employees who receive regular evaluations of performance and professional development, broken down by sex and professional category.	4.1 The value of our human capital.	CAF, S.A. and the main businesses of its national affiliates.
DIVERSITY AND EQUALITY OF OPPORTUNITIES			
LA12	Composition of the governing bodies and breakdown of the staff by professional category and sex, age, belonging to minorities and other indicators of diversity.	4.1 The value of our human capital. 2017 Annual Corporate Governance Report – Section C.	CAF, S.A. and the main businesses of its national affiliates.
EVALUATION OF THE WORK PRACTICES OF PROVIDERS			
LA14	Percentage of the new providers that are examined as a function of the work practices.	3.5 Responsible supply chain.	CAF Group
LA15	Significant, real and potential negative environmental impacts on the work practices in the supply chain and measures in that regard.	No significant negative impacts have been detected in this regard.	CAF Group
Human Rights			
NON-DISCRIMINATION			
HR3	Number of cases of discrimination and corrective measures adopted.	No cases have been detected in this regard.	CAF, S.A. and the main businesses of its national affiliates.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR4	Identification of significant centers and providers in which the freedom of association and the right to form part of collective bargaining agreements may be infringed upon or be threatened, and measures adopted to defend these rights.	No significant centers and providers affected in this regard have been identified.	CAF Group
CHILD LABOR			
HR5	Identification of centers and providers with a significant risk of cases of child exploitation, and measures adopted to contribute to the abolition of child exploitation.	No centers and providers with a significant risk in this regard have been identified.	CAF Group
FORCED LABOR			
HR6	Centers and providers with a significant risk of being an origin of episodes of forced labor, and measures adopted to contribute to eliminating all forms of forced labor.	No centers and providers with a significant risk in this regard have been identified.	CAF Group
RIGHTS OF THE INDIGENOUS POPULATION			
HR8	Number of cases of violating the rights of indigenous populations and measures adopted.	No cases have been detected in this regard.	CAF Group
EVALUATION OF THE PROVIDERS IN TERMS OF HUMAN RIGHTS			
HR10	Percentage of the new providers that are examined as a function of criteria related to human rights.	3.5 Responsible supply chain.	CAF Group
HR11	Significant negative impacts regarding human rights, real and potential, in the supply chain, and the measures adopted.	No significant negative impacts have been detected in this regard.	CAF Group
Society			
LOCAL COMMUNITIES			
SO2	Centers of operation with significant negative effects, possible or real, on the local communities.	No centers of operation with a significant negative effects in this regard have been identified.	CAF Group
FIGHT AGAINST CORRUPTION			
SO4	Policies and procedures of communication and training about fighting against corruption.	2.3 Ethics in the businesses and prevention of fraud and corruption. 2017 Annual Corporate Governance Report – Section F.1.2. 2017 Consolidated Group Management Report – Fight Against Corruption and Bribery.	CAF Group
UNFAIR COMPETITION PRACTICES			

SO7	Number of claims due to unfair competition, monopolistic practices or against free competition and their outcome.	2017 Financial Statements of the Consolidated Group – Note 20 and Note 25 of the Report.	CAF Group
REGULATORY COMPLIANCE			
SO8	Monetary value of the significant fines and the number of non-monetary sanctions due to violating the legislation and regulation.	2017 Financial Statements of the Consolidated Group – Note 20 and Note 25 of the Report.	CAF Group
EVALUATION OF THE SOCIAL REPERCUSSION OF THE PROVIDERS			
SO10	Significant and potential negative impacts for the company in the supply chain and measures adopted.	No significant negative impacts have been detected in this regard.	CAF Group
Responsibility for the products			
CUSTOMER HEALTH AND SAFETY			
PR1	Percentage of categories of significant products and services whose impacts on health and safety have been evaluated to promote improvements.	3.3 Product Safety.	CAF Group
PR2	Number of incidents derived from failing to comply with the regulations or voluntary codes related to the impacts of the products and services on the health and safety during their life cycle, broken down as a function of the type of result of these incidents.	No significant incidents have been detected in this regard.	CAF Group
LABELING OF THE PRODUCTS AND SERVICES			
PR3	Type of information that the procedures of the organization require related to the information and labeling of their products and services, and the percentage of categories of significant products and services that are subject to said requests.	Chapter 3.1 Excellence in Customer Relations. Chapter 3.3 Product Safety.	CAF Group
PR4	Number of non-compliances of the regulation and the voluntary codes related to the information and the labeling of the products and services, broken down as a function of the type of result.	No significant non-compliances have been detected in this regard.	CAF Group
PR5	Result of the surveys to measure customer satisfaction.	Chapter 3.1 Excellence in Customer Relations.	CAF Group
MARKETING COMMUNICATIONS			
PR6	Sales of prohibited or disputed products.	No significant non-compliances have been detected in this regard.	CAF Group
PR7	Number of cases of noncompliance with the regulation or voluntary codes related to the marketing communications, such as advertising, promotion and sponsorship, broken down as a function of the type of result.	No significant non-compliances have been detected in this regard.	CAF Group
CUSTOMER PRIVACY			
PR8	Number of proven claims of violating the privacy and leaking the data of the customers.	No significant non-compliances have been detected in this regard.	CAF Group