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Corporate Social Responsibility Report 2018



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1

OUR UNDERSTANDING OF CORPORATE SOCIAL RESPONSIBILITY

“This policy outlines the principles and commitments that CAF promotes in its activities and in the companies that form part of its Group, reconciling the achievement of its mission with the interests of the community that surrounds it and of the various stakeholder groups, and sustaining this over the long term.”

*CAF Corporate Social Responsibility Policy
29 December 2015*

1.1

CAF's Global Vision and Corporate Social Responsibility

1.2

Our Stakeholders

1.3

Materiality

1.1 CAF's Global Vision and Corporate Social Responsibility

[102-16, 102-49]

Due to its commitment to sustainability and the development of the communities where it operates, the CAF Group (hereinafter CAF) approved its Corporate Social Responsibility (CSR) Policy in 2015, based on the recommendations in the Good Governance Code of Listed Companies of the Spanish National Securities Market Commission (CNMV). This policy, which is available on www.caf.net, defines the principles and commitments promoted by the organisation when performing its activities, taking into account the interests and concerns of its stakeholders, with the aim of achieving sustainable profitability over time.

CAF's CSR Policy was approved by the Board of Directors of the parent company, Construcciones y Auxiliar de Ferrocarriles, S.A. (hereinafter, CAF, S.A.) which, in turn, is responsible for establishing the necessary mechanisms for monitoring and enforcing compliance with the policy. Furthermore, according to the document itself, the Board of Directors is responsible for monitoring and enforcing compliance with the policy, and it may delegate such functions to other bodies, at its discretion. The drafting of this report has been overseen and coordinated by the HR Department and, in 2017, certain CSR functions were assigned to the Appointments and Remuneration Committee, as detailed in this report.

The CSR Policy establishes 8 principles of action:

1	Establishing preventive measures to ensure strict compliance with the current legislation
2	Monitoring of good governance practices
3	Scrupulous respect for fundamental rights
4	Confidentiality and transparency
5	Responsible communication practices
6	Fulfilment of tax responsibilities
7	Commitment to innovation and sustainability
8	Commitment to the environment

CAF is continuing to take steps to strengthen and consolidate the work done to meet the objectives set in the CSR Policy, which are promoted through the CSR Forum. This forum consists of a multidisciplinary, representative team of people from the areas with the biggest impact on CSR, and they are responsible for ensuring the fulfilment of the commitments and monitoring Corporate Social Responsibility activities, under the coordination of the HR Department. The main responsibility of each member of the forum is to ensure the fulfilment of the activities relating to corporate social responsibilities with a corporate scope in their respective areas of expertise. Thus, they are appointed as the leader and point of contact on this matter in the areas under their responsibility and the representative for these areas within the forum. Additionally, the members are responsible for reporting to the forum on any important aspects in this regard that require a shared vision to be established and informing the governing and/or decision-making bodies of any important matters in this regard. Thus, the forum assesses any matters raised in it and may make recommendations regarding their merits and the most appropriate way if dealing with them.

Similarly, following the publication of the CSR Report for 2017, in accordance with the GRI reporting standard and the commitments made for 2018, the CSR Forum has been responsible for drafting this CSR Report for the 2018 period, with greater scope than the previous report. The Appointments and Remuneration Committee will be responsible for reviewing this report and it will subsequently be approved by the Board of Directors.

This third edition of our Corporate Social Responsibility Report is one step further in CAF's commitment to society and, for another year, the scope and depth of the information have been broadened to include the CAF Group's major international operations. Moreover, in addition to

the CAF Group's¹ corporate operations and main activities, this report also includes information about the Group's major international operations. Thus, for the first time, the report includes information about the Group's companies in the United States, Mexico, Brazil, the United Kingdom, France and Poland, primarily. In any event, this point will be indicated for all information and each activity reported on herein.

During 2018, CAF continued to improve the management of its processes in line with its growing sensitivity towards environmental and social issues, and the increasing requirements of our clients in our various activities.

During this period, it is worth highlighting the systemisation of the Corporate Social Responsibility activities that we carry out, to ensure compliance with the necessary reference standards, with the regulatory requirements and with our clients' requirements. The work carried out in the following areas of activity is also notable:

- The launch of the CSR Forum, responsible for systemising that activity with a corporate scope within the Management Model.
- Performing the necessary activities to ensure compliance with the guidelines established in standard ISO 26000:2012, which has enabled a positive third-party declaration.
- The introduction of improvements in client satisfaction surveys.
- Conducting the first organisational health study.
- Promoting the activity and structuring of the shareholder information office.
- Including CAF in the *Railponsible* initiative, which focuses on extending sustainable practices throughout the value chain of the rail industry.
- Adapting the CSR Report to the CAF Group's set of activities, meeting the requirements and following the recommendations of the GRI standards developed by the *Global Reporting Initiative* (GRI)

For the next period, we have set the main objective of continuing to make progress in the implementation of the policies, carrying out activities that are aligned with our commitments to our various stakeholders.

CAF's Mission reflects the added value brought to sustainable mobility by CAF's comprehensive transport systems and, aligned with the Mission, the Vision refers to the Group's comprehensive range of solutions to meet the new social needs of sustainable mobility

MISSION

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

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

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

VISION

By drawing from firmly established technological and human resources we are set for growth in the railway industry raising our stake in the largest and most demanding markets worldwide.

We will increase and diversify our comprehensive transit portfolio beyond railways and respond to new social demands for sustainable mobility.

The shared culture of all people at CAF will be instrumental to provide a balanced response to the needs of our stakeholders

¹ Rolling Stock - CAF Rolling Stock, Buses – Solaris Bus & Coach, Rail Services - CAF Rail Services, Components- CAF MiiRA, Signalling - CAF Signalling, Power and Traction Systems - CAF Power & Automation, and Engineering - CAF Turnkey & Engineering

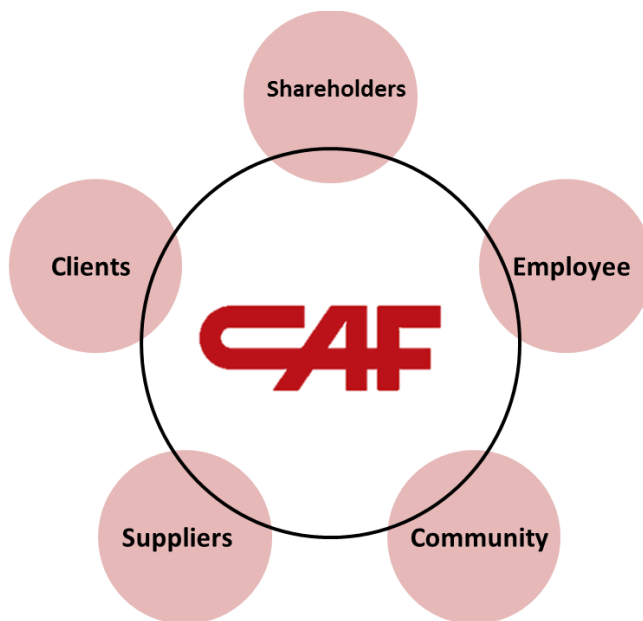
Similarly, the corporate values that apply to all of the Group's activities reflect our commitment to the principles outlined in the CSR Policy and make them more prevalent in our daily work.

Honesty and Integrity	Establishing preventive measures to ensure strict compliance with the current legislation
Responsibility and Commitment	Monitoring of good governance practices
Results and Perseverance	Scrupulous respect for fundamental rights
Excellence and Learning	Confidentiality and transparency
Cooperation and Teamwork	Responsible communication practices

1.2 Our relationship with our stakeholders

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

The stakeholders who are at the centre of CAF's strategy are as follows:



The first time that CAF's stakeholders were formally identified was when we established our Code of Conduct in 2011, with the materiality assessment performed in 2016 confirming their validity.

CAF's objective is to build a trusting relationship with the stakeholders. For this purpose, CAF promotes continuous and effective communication with its stakeholders through the following channels of communication, with the aim of boosting their involvement and engagement in our corporate activities and in those areas affected by our activities.

Stakeholder	Channels of communication
Shareholders ²	<ul style="list-style-type: none"> - Shareholder and Investor Information Office - CNMV statements - General Shareholders' Meeting - Regular briefings - CAF's website
Clients	<ul style="list-style-type: none"> - Meetings with potential clients - Meetings with project clients - Client satisfaction surveys - Client audits - Audits of the Quality and Safety Management System - CAF's website
Employee	<ul style="list-style-type: none"> - CAF portal - Internal channel - Direct communication - Union representation - Corporate magazine - Whistleblowing channel - CAF's website
Suppliers	<ul style="list-style-type: none"> - Suppliers' portal - CAF's website - Supplier audits
Community	<ul style="list-style-type: none"> - CAF's website - Direct interaction with the public authorities - Participation in forums and associations - CSR Report

These channels are essential to learn about the concerns and interests of each stakeholder with regards to CSR, and they play a key role in defining CAF's strategies and measures in this regard.

For this reason, CAF works continuously to promote open dialogue. In particular, in 2018 it is worth highlighting the new channels of communication with suppliers and workers, through the Supplier Satisfaction Survey and by conducting the first organisational health study and through the promotion of the activity and structuring of the shareholder information office.

1.3. Materiality

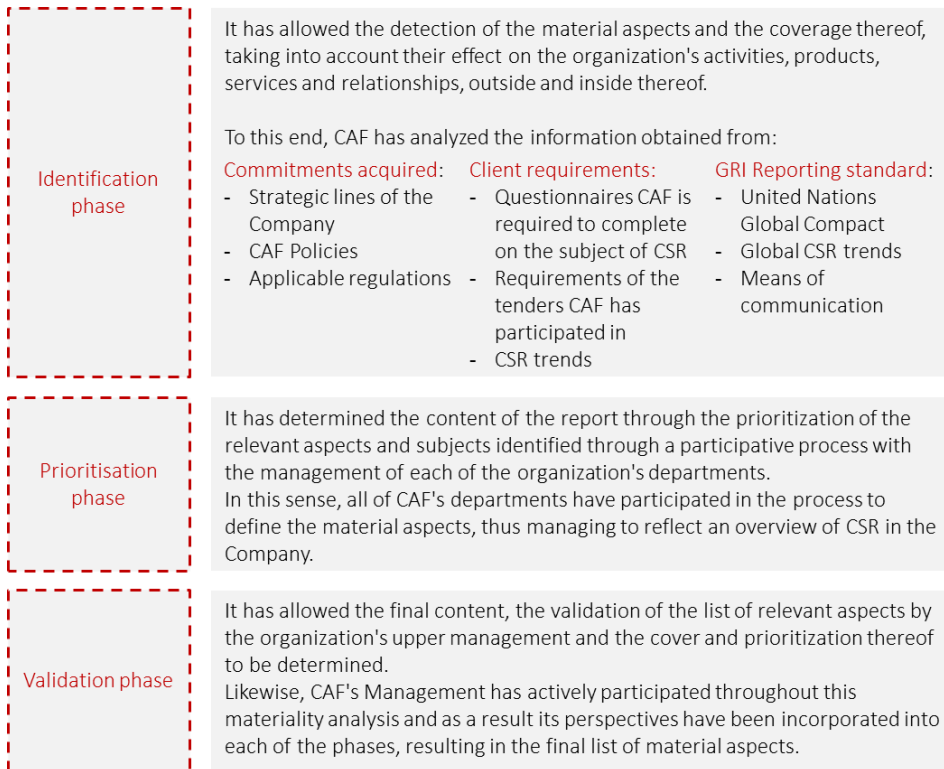
[102-46, 102-47,103]

With regard to CAF and the sectors where it operates, there are numerous economic, environmental and social factors involved in defining the strategy and commitments for the Group's CSR. CAF's CSR Policy defines how the company acts with regard to those factors, with a focus on sustainable development.

This CSR report has been prepared based on the expectations and requirements of the stakeholders identified in that Policy, with particular focus on the issues that are most important to them and those that have the greatest impact on the Group's strategy.

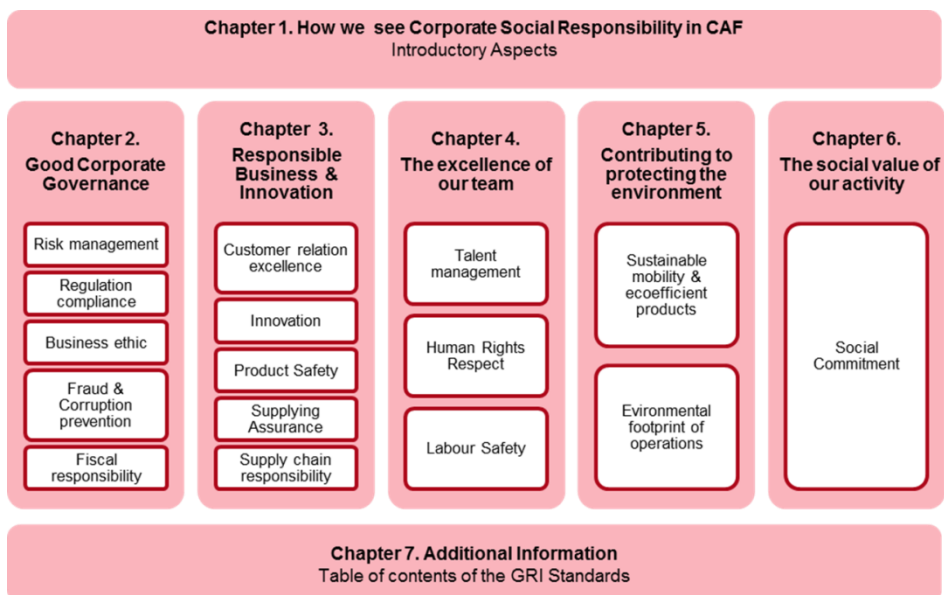
For this purpose, CAF has carried out a Materiality Assessment of CSR, based on internal and external sources of information, following the guidelines established in the *Global Reporting Initiative* (GRI) standard, which establishes the following phases:

² The information about Shareholders is contained in CAF's Annual Corporate Governance Report, which is available of the corporate website.



This result of this analysis continues to be valid and has been confirmed after the assessment performed in accordance with the CSR guidelines outlined in standard ISO 26000:2012.

As a result of the materiality assessment, 16 important aspects of CSR were defined for CAF and its stakeholders. This report contains detailed information about the significant impacts relating to each of them, as shown in the following table:



For further information about these material aspects, and others relating to CSR in CAF, chapter 7 "Additional information" contains the table of contents of essential aspects of the GRI standard, which was the standard used as a reference to produce this report.

2

GOOD CORPORATE GOVERNANCE

“One of CAF’s principles of action with regards to corporate social responsibility is Monitoring of corporate governance practices generally, and in particular those included in the latest CAF Code of Conduct, which regulates the behaviour expected of all professionals and employees in the organisation and the supervisory and control mechanisms of this behaviour.”

*CAF’s Corporate Social Responsibility Policy
29 December 2015*

2.1

Corporate Governance System and Regulatory Compliance

2.2

Risk management

2.3

Business ethics and prevention of fraud and corruption

2.4

Tax responsibilities

2.1 Corporate Governance System and Regulatory Compliance

[102-22, 102-24, 102-25, 102-30, MA³ 418, MA 419]

The CAF Group conducts its business bearing in mind the importance of proper and transparent management as an essential factor for creating value, improving financial efficiency and building the trust of its shareholders and investors, all of which is implemented through a Corporate Governance System based on the concept of “Good Corporate Governance”.

This Corporate Governance System is underpinned by our commitment to ethical principles, good practices and transparency, based around protecting social interests and creating sustainable value for CAF’s stakeholders, while also enabling those principles and good practices to be extended throughout the CAF Group’s Internal Regulatory System, as defined below.

CAF’s Corporate Governance System is composed of the principles and standards that govern the design, integration and functioning of the Governing Bodies, and their relationship with the company’s stakeholders.

With regard to the Governing Bodies, how they are defined and their composition, under the aforementioned regulatory framework, we distinguish between: (i) the company’s corporate governance bodies (General Shareholders’ Meeting and Board of Directors of the CAF Group’s parent company) which adopts the decisions that fall within the remit of the top governance and decision-making bodies; and (ii) the management bodies (the management team as a whole) that is responsible for the day-to-day running of the company which, in any event, must be in line with the general policies and strategies established by the Board of Directors.

The foregoing allows us to adopt and maintain an Internal Regulatory System in which ethics and sustainability prevail and underpin all of the Group’s activity, to promote the achievement of our business objectives; complying with the legal obligations but also applying widely recognised standards of good practices.

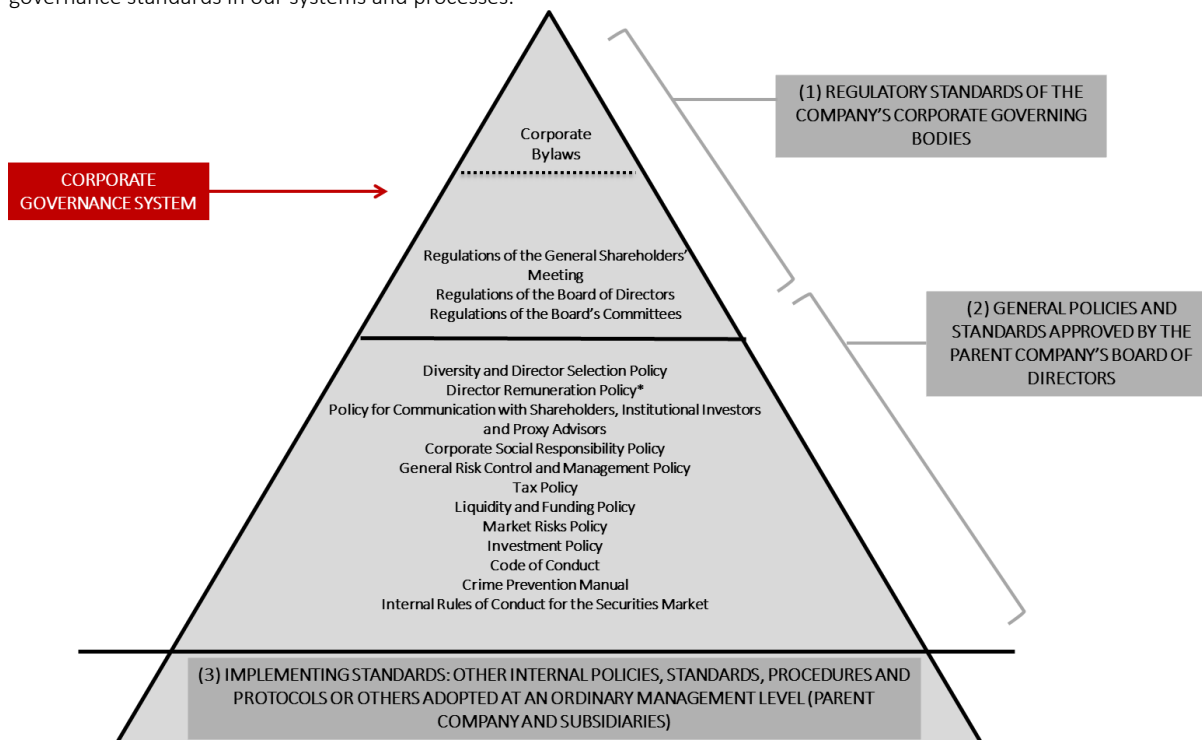
For this purpose, CAF incorporates the related principles and good practices both locally and globally, integrating them into its business, both in the internal rules within its regulatory framework and on an organic level, with the composition and distribution of the functions of its governing bodies, and at an operational level, by integrating them into its systems and processes.

³ MA: Management Approach

● Regulatory framework for corporate governance

General regulatory framework

The general regulatory framework for corporate governance is composed of the Internal Regulatory System, consisting of three hierarchical levels of regulations: (i) those regulating the composition and functioning of the company's corporate governance bodies (General Shareholders' Meeting and Board of Directors of the parent company), (ii) the general policies and specific standards uniformly applied throughout the CAF Group that are approved by the parent company's Board of Directors (with the top two levels as a whole being the part called the "Corporate Governance System") and (iii) the standards which, at an everyday management level, while complying with the above standards, may in turn be implemented by the management team in each department or area, to ensure the effectiveness and integration of the good governance standards in our systems and processes.



* In the case of the Director Remuneration Policy, this must be approved by the General Shareholders' Meeting, at the proposal of the Board of Directors.

Both at strategic and ordinary management levels, CAF's governing bodies implement, and in some cases develop, the Internal Regulatory System at each respective level, informing and raising awareness among the company's stakeholders' various target groups through communication initiatives and regular training.

Similarly, the Board of Directors promptly updates and continuously adapts the Internal Regulatory System to any new legislation, codes and good practices aimed at listed companies, which are regularly published by the governing and supervisory bodies.

The important milestones for 2018 include the approval of the Diversity and Director Selection Policy, the Liquidity and Funding Policy, the Market Risks Policy and the Investment Policy. We also approved the amendments to the Regulations of the Board of Directors and the Regulations of the Audit Committee and we updated the Crime Prevention Manual. This has allowed us to strengthen the Corporate Governance System as detailed in the following section.

The up-to-date regulatory standards of the company's corporate governance bodies and CAF's general policies are always available to the general public on the corporate website, in accordance with the applicable legislation.

Effectiveness and implementation of the Corporate Governance System

The Corporate Social Responsibility Policy approved Group-wide defines the objectives, principles of action and commitments which, ultimately, translate into tangible and verifiable compliance with the rules of good governance

Achieving the goals that have been set has required CAF to establish preventive measures to ensure strict compliance with the current legislation in the places where CAF operates.

During 2018, it is worth highlighting the approval of the Diversity and Director Selection Policy that has allowed the pre-existing Director Selection Policy to be updated in order to broaden the diversity criteria in the composition of the Board of Directors and ensure that there is no implicit bias that may lead to discrimination based on age, gender, disability or any other condition of a personal nature.

In turn, the Liquidity and Funding Policy and Market Risks Policy that were also approved in 2018 serve to expand on and complement the General Risk Control and Management Policy of the CAF Group.

Additionally, the Funding Policy has been approved with the aim of establishing principles and basic guidelines on how to act in relation to the Group's investments, according to the practices of the publicly listed companies that operate in the sector with a strong international presence.

In 2018, we also updated CAF's Crime Prevention Manual, partly to better respond to the reality of the various international regulations which have been changed and developments in the regulations on criminal enforcement.

Furthermore, one of CAF's principles of action is monitoring good governance practices in general and, in particular, those included in CAF's current Code of Conduct, which governs the appropriate behaviour of the organisation's professionals and its partners, in addition to the mechanisms for monitoring and enforcing such proper conduct. Thus, in 2018 we took further steps in our implementation of the Code of Conduct, approving a specific Code of Conduct for suppliers engaged in the Vehicles operations of CAF, S.A.

● The Board of Directors and its Committees

Board of Directors

CAF's highest governing body is the Board of Directors, currently composed of ten members. CAF also has an Audit Committee and an Appointments and Remuneration Committee.

The Board acts as the decision-making body in terms of the strategic management of the company and, for that purpose, it focuses its activities on the general function of guiding, overseeing and establishing general and supervisory strategies for the day-to-day management delegated to the management team. In turn, the committees not only perform the functions legally incumbent upon them, they also perform other, additional functions that are advisable according to the best practices and recommendations for good corporate governance.

Additionally, CAF's previous Director Selection Policy already determined that candidates for the company's board should be honourable and suitable people, of good character, competent, experienced and with the requisite qualifications and training. Now, the new Diversity and Director Selection Policy approved in 2018 introduces aspects of diversity as a prominent factor when analysing the needs of the Board of Directors and the company, which must be a priority when selecting directors.

Furthermore, as a way of ensuring compliance with corporate good governance practices, the board members are obliged to tender their resignation to the Board in certain cases; for example, when they have been disqualified or are subject to a legal ban, and when they are prosecuted for an alleged criminal offence or are subject to disciplinary proceedings for serious or very serious misconduct, instituted by the supervisory authorities, or when they have a conflict of interests with the company and fail to fulfil their duties of information and abstention.

In 2018, the Board of Directors approved an amendment to its regulations to incorporate, verbatim, certain provisions of the Good Governance Act and Code of Listed Companies, and to make some technical improvements.

The Board of Directors also improved the annual evaluation report for 2018, giving a positive assessment of its work and the work of its members and committees.

CAF's Annual Corporate Governance Report examines this information in greater detail and contains other important information about the company.

Audit Committee

Following best practices, the Audit Committee consists of three independent directors appointed by the Board of Directors, including the Chair of the Committee who was appointed due to their knowledge and experience in accounting and auditing.

Following the publication of the Technical Guide on the Audit Committees of public interest entities by the Spanish National Securities Market Commission, in 2018 we approved an amendment to the Regulations of the Audit Committee, to adapt them to the guidelines established therein and to make other technical improvements.

The many functions of that Committee include:

- Overseeing the process of preparing and presenting the financial information and related non-financial information, verifying its integrity.
- Monitoring the effectiveness of the internal control of the company, the internal audit and the risk management systems, as well as discussing any significant weaknesses detected in the internal control system during the audit with the auditor, without undermining his/her independence.
- Ensuring the independence of the unit that performs the internal auditing function, proposing its selection, appointment, reselection and dismissal, and also directing its work plans, receiving regular information about its activities and assessing its performance.
- Submitting proposals to the Board of Directors for the selection, appointment, reselection and replacement of auditors, with responsibility for the selection process and the terms of their recruitment, preserving their independence in the exercise of their duties and performing a final appraisal of their performance.
- Assessing everything relating to the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee consists of three non-executive directors, two of whom are independent, including its Chair.

The main functions of said Committee are:

- Evaluating the competencies, knowledge and experience necessary in the Board of Directors and submitting the respective proposals and reports on appointments to the Board.
- Proposing the remuneration policy for directors and senior managers to the Board of Directors.

In addition to the other powers conferred by law, this Committee has been given additional functions relating to the remuneration policy, the terms of contract of senior managers and

reporting such information, in accordance with Recommendation 50 of the Code of Good Governance for Listed Companies, and the following powers set forth in Recommendation 53 of the Code:

- Monitoring compliance with the company's internal codes of conduct and rules of corporate governance.
- Regular assessments of the suitability of the company's corporate governance system, to ensure that it fulfils its objective of promoting the social interest and takes into account any legitimate interests of the other stakeholders.
- Reviewing the company's corporate responsibility policy, ensuring that it is geared towards creating value.
- Monitoring the corporate social responsibility strategy and practices and assessing the level of compliance therewith.
- Supervising and evaluating the processes relating to the various stakeholders.
- Coordinating the process for reporting non-financial information and information about diversity, in accordance with the applicable regulations and international reference standards.

2.2 Risk management

[102-15]

On 20 December 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 to ensure that any corporate risks from all of the Group's activities and businesses are being properly managed.

The implementation of the Risk Control and Management Policy is aimed at establishing the basic mechanisms and principles for proper management, with a risk level that enables it to:

- Meet the strategic targets set by the CAF Group with controlled volatility.
- Give the shareholders the greatest possible peace of mind.
- Safeguard the earnings and reputation of the CAF Group.
- Protect the interests of shareholders, clients, other groups with a stake in the fortunes of the company and the general interests of the company.
- Ensure the stability and financial soundness of the business, sustainably over time.

The risk management model adopted by CAF is aligned with the ISO 31000 and COSO ERM (*Committee of Sponsoring Organisations of the Treadway Commission – Enterprise Risk Management*) international standards, insofar as it employs an effective methodology for the analysis and integrated management of risks and the Three Lines of Defence Model for allocating responsibilities in the area of risk management and control.

The risk management model is the same throughout the company and for all types of risks. The model consists of the following activities:

1	Establishing the risk management context for each activity.
2	Identifying the different types of risks faced by the Group, according to both their corporate and business natures.
3	Analysis of the risks identified and implications for the CAF Group as a whole.
4	Risk assessment based on the level of risk that the Group considers acceptable (risk appetite).
5	The measures planned to deal with the identified risks.
6	Monitoring and regular control of the risks, using information and internal control systems.

Additionally, a single risk catalogue has been created for the entire Group. This catalogue defines a first level of risk structure consisting of strategic, financial, legal and operational risks, and those relating to corporate governance and compliance. In turn, this is subdivided into more specific risks within each of the categories. The level of risk, type of risk (corporate or business) and measures planned to handle it are properly defined for each category or subcategory.

By their nature, operational, corporate governance and compliance risks related to human rights, staff, the environment and committing crimes are especially significant for corporate social responsibility, so zero tolerance has been established specifically for these.

With regards to the Recommendations from the Code of Good Governance for Listed Companies, CAF complies with any that relate to the "function of risk control and management".

During 2018, we made further advances in completing the Group's single risk catalogue, as well as defining the management approach for each type of risk.

2.3 Business ethics and prevention of fraud and corruption

[102-16, 102-17, MA 205, 205-2, EG 206, MA 415]

Code of Conduct and Crime Prevention Manual

Having a good reputation is an essential intangible resource that ensures a relationship of trust and adds value, both internally and externally, with all of the actors with whom CAF interacts. To achieve this, it is vital to foster ethical conduct that promotes the relationship between the Group and the actors involved.

Since 2011, CAF's Code of Conduct has defined the set of general rules and principles of corporate governance and professional conduct that apply to all of the Group's professionals, and any organisation or person that works or interacts with the Group. It also serves as the basis for any other Codes of Conduct relating to specific issues that may exist in addition to the main Code.

The Code of Conduct is underpinned by three cornerstones (structural ethical principles, behavioural criteria of CAF's professionals and implementation mechanisms), which in turn are embodied in a set of specific mandatory rules.

The contents of the Code of Conduct are as follows:

CAF Code of Conduct



Structural ethical principles	➔	Behavioural criteria	➔	Implementation mechanisms
<ul style="list-style-type: none"> - Our strict compliance with the law and human rights - Involvement of our shareholders - Quality and excellence are our cornerstones - CAF's reputation and prestige as a calling card - Protection and development of our human resources - CAF's respect and commitment to the community and the environment - Confidentiality and transparency in all of CAF's relations 		<ul style="list-style-type: none"> - Relations with shareholders, seeking to maximise the creation of value and the transmission of accurate, complete and up-to-date information - Relations with clients, based on honesty and professional responsibility, respecting confidentiality and privacy and avoiding conflicts of interests - Relations with suppliers and other partners, considering competitive value and quality when choosing them - Human resources implements the staff recruitment and management processes based on equality and integrity, encouraging training and promoting health and safety - Relations with public bodies, strictly complying with the law and respecting integrity, and compliance with all competition laws - Relations with the community and environment, defining the keystones of the environmental policy and with a commitment to improve the quality of life of people in the communities - Operations in the organised markets, with transparency and control of information as principles 		<ul style="list-style-type: none"> - The Compliance Committee or Unit as the delegated body responsible for assessing the adaptation of policies regarding ethical behaviour and compliance with the Code of Conduct - Training on the Code within the yearly training plan - Whistleblowing channel - Measures to take in the event of the violation of the Code of Conduct

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

The ethical principles that govern CAF's actions in the market are aligned with international standards, which is especially important in companies like CAF, which operates on a global stage. The Crime Prevention Manual described in the following section has been one of our most essential tools for ensuring adherence to the General Principles of CAF's Code of Conduct.

In this regard, preventing fraud and corruption is a priority for CAF as it is a key ethical issue in business and, consequently, a vital part of Good Governance and Corporate Social Responsibility.

● Crime Prevention Manual

While producing the Code of Conduct, a crime prevention programme was established, taking the form of the CAF Group's Crime Prevention Manual, which was approved by CAF's Board of Directors on 29 April 2015 (the initial version), complying with the latest provisions to be added to the Penal Code and including the Code of Conduct as an essential part of it. Both documents have been adapted to comply with the local legislation in each country where CAF has subsidiaries, depending on the requirements.

To prepare this Crime Prevention Manual, a detailed analysis was carried out of the criminal risks, making it possible to define, from the whole catalogue of crimes that could be committed by legal entities, those called "relevant crimes", which are those which to a greater or lesser degree can be linked to the operations of the CAF Group and, consequently, determine which actions merit the most attention with a view to preventing the commission of crimes.

The CAF Group's Crime Prevention Manual and its respective developments specifically identify the risky activities in which the Group engages, linking them to any criminal behaviour that could be committed and assigning certain action policies that must be followed to prevent crimes from being committed.

Classifying an activity as "risky" does not mean that it is illegal or criminal, but that it is an activity which, if proper precautions are not taken, may lead to situations that could have criminal implications.

In turn, the action policies are protocols or procedures that must be followed, which are established by the CAF Group to prevent the commission of criminal acts while performing risky activities.

This Manual, and its developments and updates, meet the needs of verifying the adequacy and effective implementation of the procedures and controls in the company, with the aim - insofar as is possible - of preventing the risk of crimes being committed that are relevant to the CAF Group's activities and also the consequences thereof.

For this purpose, among other things, it has been made compulsory for the CAF Group's legal representatives and employees, and any third parties that enter into a contract with it, to adhere to the General Principles of CAF's Code of Conduct.

In this regard, the General Principles of CAF's Code of Conduct are rules of conduct and imperative ethical standards that take the form of scrupulous respect for the law, for human rights, for public freedoms and fundamental rights, for the principles of equality and non-discrimination, protection against child labour exploitation and all other principles in the Universal Declaration of Human Rights and in the United Nations Global Compact on Human Rights, labour rights, environmental rights and the fight against corruption.

To ensure that we achieve the above, the Compliance Committee or Unit is the CAF Group's body with independent monitoring and control powers, responsible for developing and ensuring compliance with the crime prevention programme that is implemented through the CAF Group's Crime Prevention Manual and its updates and developments, both nationally and internationally, which we describe below.

CAF's Crime Prevention Manual



The CAF Group's Crime Prevention Manual stipulates that the Compliance Committee or Unit is able to appoint an Officer, who functionally reports to it, in those subsidiaries or offices of the CAF Group that are based in jurisdictions where it is either required by the local legislation or it is advisable given the size and characteristics of the subsidiary or office.

● Dissemination and training relating to the Crime Prevention Manual

Employees can always access the Crime Prevention Manual on CAF's Portal, although notification is immediately given of any new versions of it when any change to the Manual is approved.

Regarding training activities, in 2018 we continued with the measures that started in 2016 to increase awareness about, disseminate and implement the Crime Prevention Manual among the CAF Group's staff.

At the time of drafting this report, in the parent company and all of its domestic subsidiaries, 93% of people included in the training plan on this matter had completed it. In 2018 we made significant strides internationally, with the training programmes having been launched in 98% of our consolidated companies. Over 3,800 people have received training in this area, representing 91% of all eligible staff. There are currently 687 people on the programme. There is also an ongoing process to train new employees by including this programme in the induction plans for new members of staff. The training materials are kept up to date.

Additionally, 100% of the partners in the CAF Group's activities, in every region where we operate, are made aware of the General Principles of the CAF Group's Code of Conduct and informed that it is compulsory to comply with them.

● Whistleblowing channel

The Crime Prevention Manual establishes a whistleblowing channel to report general misconduct, which is overseen by the Compliance Committee or Unit. This body regularly analyses the reports received and, where appropriate, takes the necessary action to deal with the specific circumstances of each report. If the report is deemed to be worthy of further attention, the Compliance Committee or Unit can send the documentation to the relevant department so that they can jointly assess the facts and decide what steps to take.

The Compliance Committee or Unit reports the allegations, and generally any violations of the Crime Prevention Manual and Code of Conduct that are detected, to the Board of Directors, the Audit Committee or the Management Board, depending on the circumstances and nature of the alleged infractions that have been detected.



A proper record is kept of the reports received, ensuring the confidentiality of the sender and its content.

The Manual also stipulates that other ways of receiving complaints can be established in those jurisdictions where the local legislation so requires.

● Adaptation of the Crime Prevention Manual in subsidiaries

The CAF Group's Crime Prevention Manual is binding for all of the Group's domestic and international subsidiaries, and it must also be adapted to the specific characteristics and requirements of the local law applicable to international subsidiaries. Consequently, in accordance with the above, basic adaptations are made for all foreign subsidiaries and detailed adaptations are made to meet any specific needs identified.

As of 31 December 2018, the CAF Group's international operations consisted of 61 foreign subsidiaries in 33 countries on all five continents.

The basic adaptation of the Crime Prevention Manual was fully completed in 2017 for all subsidiaries that were then part of the CAF Group and it included: (i) the legal formalities to adopt the CAF Group's Crime Prevention Manual and (ii) recognition of the Compliance Committee or Unit, and (iii) training and informing the governing bodies. Thereafter, these basic adaptations have been carried out systematically, when a new subsidiary is created and as part of an integration plan when a pre-existing company joins the CAF Group.

Moreover, specific adaptations can either be made through an annex to the Crime Prevention Manual, or by developing a compliance sub-programme; this will largely depend on the legal regulations in the country in question. More specifically, in 2018, the last of 5 supplementary annexes were attached to the CAF Group's Crime Prevention Manual in the same number of countries, through which the necessary adaptations have been made to the Code of Conduct, while also identifying the relevant crimes under the respective local laws and adapting the action policies accordingly. Additionally, criminal compliance sub-programmes were launched in 4 countries in accordance with the local legislation, and they are likely to be completed during the next year.

● Review of the Crime Prevention Manual

It is also worth noting that the Crime Prevention Manual is reviewed and updated regularly in the following cases:

- Whenever significant changes that occur in the organisation, in the control structure or in the activity performed by the CAF Group make it advisable.
- Whenever significant legal or jurisprudential changes make it advisable.
- Whenever significant breaches of its rules are brought to light that also make it advisable.
- Every two years, even when none of the foregoing circumstances apply.

However, the Crime Prevention Manual stipulates that, whenever the circumstances so require, the risks of the criminal acts referred to in the Manual being committed will be reassessed, with the resulting Internal Risk Map being updated and, in any event, such reassessments will be carried out at least once every four years.

More specifically, the Manual was reviewed in 2016 and 2018, with the latest modifications approved by the Board of Directors of CAF, S.A. on 18 December 2018. After any new version of the Manual - or further development thereof - is approved, the appropriate dissemination and training activities are carried out.

2.4 Tax responsibilities

[102-16]

● Mission and commitment regarding tax matters

Amongst other things, the approval of the Corporate Tax Policy in 2017 allowed us to explicitly express the principles that were already applicable internally, making them a matter of record when we formally established CAF's mission and commitments regarding tax matters. Everything was made available to all of our stakeholders through the publication of that Policy on the corporate website (www.caf.net), together with our other corporate policies.

In essence, CAF's mission with regard to tax matters consists of ensuring that we comply with the tax regulations in force wherever we operate, avoiding any tax risks and fostering a cooperative relationship with the tax authorities.

CAF's ultimate goal is to build trust and contribute value in the domestic and international markets by acting responsibly, particularly in the area of taxation, which in turn will enable us to design a corporate strategy and ensure consistent tax behaviour within the organisation, through which we will ultimately achieve the following: (i) satisfying stakeholders, (ii) maintaining a relationship of mutual trust with tax authorities and (iii) helping to improve communities by paying taxes.

● Principles of action in tax matters

The following principles of action in relation to CAF's tax matters are a further development of the fundamentals of the Code of Conduct, of the Corporate Social Responsibility Policy and of the General Risk Control and Management Policy, and they must serve as a guide for the actions of all individuals and entities to which they apply:

1. Compliance at all times with its tax obligations, always seeking to meet the deadlines established by the tax regulations, for the payment of taxes and for any other tax obligations. To do so, CAF shall ensure the quality, reliability and certainty of the information and data, as well as the accuracy of its tax returns.
2. Collaboration at all times with the Tax Authorities, by fully and accurately providing any tax-related information and documentation requested by the competent tax authorities and other regulatory bodies, in the shortest possible time.
3. Avoid the use of structures, processes or systems of an opaque nature, designed exclusively for tax purposes, or with the intention of preventing Tax Administrations having knowledge of the ultimate party responsible for the activities or the ultimate owner of the assets and rights.
4. Avoid making investments or operations in or through territories classified as tax havens, in accordance with Spanish legislation (Royal Decree 1080/1991, 5th July) , or in territories with low or no taxation, with the sole purpose of reducing the tax burden. The investments or operations in said territories will only be permitted when they are a response to business motives and have the purpose of carrying out the activity included in the corporate purpose of CAF, subject to prior approval by the Board of Directors where legally required or established in regulations.
5. Commitment to ensure that any actions on tax matters always have a valid economic motive.
6. Prevent and reduce, as far as possible, fiscal risks in the development of their activities, maintaining in all cases a prudent risk profile. In this framework, investments and operations that may represent a special fiscal risk will be evaluated with caution.
7. Ensure compliance at all times with obligations related to transactions between related parties, maintaining a responsible transfer pricing policy and in accordance with the arm's

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length principle, thus avoiding the erosion of tax bases through the use of prices not subject to fair market value adjustments.

8. The responsible management of its intangible assets, avoiding the use and generation of such assets solely for tax purposes.

CAF's Tax Policy requires all of the above principles to be followed in accordance with CAF's general principles and, in particular, the principles of good faith and integrity towards all stakeholders.

8/

● Monitoring and control

Generally, it is the responsibility of the Audit Committee and, ultimately, the Board of Directors, to ensure that the entire CAF Group complies with the Tax Policy. Therefore, there are specific plans to establish internal control mechanisms in the Group, with information flows also envisaged from the Economic and Financial Department to the Audit Committee, for subsequent submission to the Board.

3

RESPONSIBLE BUSINESS AND INNOVATION

“Commitment to Innovation and Sustainability. CAF believes it should maintain and expand both its internal technological capacity and the quality and safety of the projects, products and services that it provides for its customers, ensuring that they guarantee the company's sustainability. “

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

3.1

Customer relation excellence

3.2

Product safety

3.3

Innovation

3.4

Supplying Assurance

3.5

Responsible supply chain



The client is the main focus of every activity performed by CAF. Listening to their requests and wishes is a priority to ensure that CAF continues to be a leader in the rail industry, with a wide range of cutting-edge technology.

To achieve this, CAF is committed to continuous innovation, channelling its R&D through innovation plans that shape all of the new technologies, products and services developed by CAF, aimed at meeting the new social needs of sustainable mobility.

3.1 Customer relation excellence

[102-4, 102-6, MA 416, MA 417, MA 418]

At CAF we always keep our clients in mind, considering them to be one of the Group's stakeholders. Therefore, clients are a key part of all of the activities carried out by CAF, where we have a clear objective to meet their needs and expectations effectively and sustainably.

Clients are essential in defining our mission, vision and management model.

To meet its strategic objective of internationalisation, in recent years CAF has expanded to all five continents, with the completion of over 148 projects in 44 countries paying testament to its international experience. The Group's proximity to its clients allows it to develop more efficient production and provide excellent coverage for support and maintenance services.

For each project, it establishes a multidisciplinary project team, led by a manager, whose objective is to meet the quality, cost and time requirements of the contract and maintain continuous communication with the client. This relationship enables us to resolve any unforeseen issues in an effective and coordinated manner.

Among other places, CAF is currently present in:

Offices

Beasain	San Sebastian	Zamudio	Linares	Madrid	Paris
London	Manchester	Amsterdam	Munich	Rome	Warsaw
Istanbul	New Delhi	Washington DC	Mexico D.F.	Sao Paulo	Buenos Aires
Sydney					

Factories

Beasain	Irún	Zaragoza	Castejón	Bagnères de Bigorre	Elmira
Huehuetoca	Hortolandia	Newport	Bolechow	Środa	

Depots

Madrid	Bilbao	Vitoria	Barcelona	Seville	Vigo
Rome	Belfast	Algiers	Riyadh	New Delhi	Mexico D.F.
Sao Paulo	Santiago de Chile	Buenos Aires			



Over 148
projects in
44 countries

In this area, the following risks related to quality and product safety policy and complaints from clients and users have been identified: (i) breach of contracts with clients and possible complaints by the client and (ii) client dissatisfaction with the CAF product and experience.

The impacts arising from those risks may lead to complaints relating to projects committed to clients and possible disengagement from clients for contracts for future projects. Those impacts will have a direct effect on the short, medium and long terms, respectively.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

● Client satisfaction

Client satisfaction is a primary objective for CAF, implemented throughout the organisation through our Businesses, Processes and Projects.

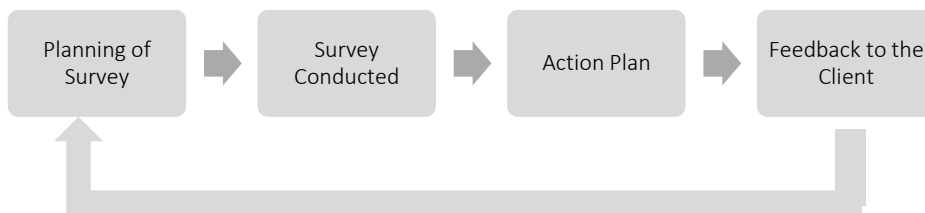
Our process management model gears the organisation towards the satisfaction of our clients' needs and expectations, with the aim of ensuring their retention and increasing our value proposition to the market, as demonstrated by our record order backlog.

For this purpose, embedded in the Quality and Safety Management System, we have established procedures for clients to file claims and complaints, where the mechanisms for monitoring and resolving them are described.

It is also worth noting the meetings we hold with potential clients (trade fairs, visits, etc.) that are defined in our Marketing Plan, in addition to the satisfaction surveys that we hand out, as a tool to directly measure the perception of clients regarding the different elements of the Group's value proposition and identify areas where competitiveness can be improved.

From the 2018 satisfaction survey, it should be noted that:

1. The satisfaction of our clients remains stable, at remarkable levels, reflecting our well-oriented actions.
2. We continue to receive a high number of surveys, thus ensuring that the sample is highly representative.
3. In 2017, we started giving feedback to clients, thus strengthening our commitment to the clients.



● Quality Policy

The CAF Group's activities include a Quality Policy, whose main focus is our clients. It is also the backbone of our Quality Management System, around which it is structured. Most of our activities under this policy are available on the website.

Below, we have highlighted the Quality and Safety Policy for the activities in our Vehicles area, which is very similar to the other activities and the most important in terms of volume of business. It is available on the website (www.caf.net)

ROLLING STOCK BUSINESS QUALITY AND SAFETY 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 and safety associated with our goods and services..

Personalized service and continued improvement drives us to meet the needs and expectations of our clients, and to ensure that every delivery counts as a recommendation for future business.

Our commitment to this goal leads us to establish this Quality and Safety Policy which is summarized in the following principles:

- Safety is paramount over all other aspects of railway goods and services.
- A Culture of Safety is promoted, encouraging everyone to suggest initiatives to improve safety.
- 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 commissioning and right to the end of the contractual guarantee period, including contractors and suppliers.
- Safety risks during operations must be eliminated or reduced to acceptable levels in accordance with railway standards and in compliance with our applicable contractual safety regulations and requirements.
- Fulfilment of contractual, legal and regulatory requirements.
- Staff competencies and training.
- Risk analysis of the processes to prevent possible deviations from or non-conformity with the Quality and Safety Management System.
- The analysis of results, contributions of ideas and the introduction of good practices for the continued improvement of the Quality and Safety Management System.
- Establishing goals consistent with the company's strategic plan that are revised at least once per year.
- Promotion of a working atmosphere that favors the quality and safety of all our goods and services.

Quality and Safety are everyone's responsibility, as defined in the Quality and Safety Management System procedures.

I accept my own Quality and Safety responsibilities, and the Executive Committee declares its commitment to the same responsibilities under my leadership.

I ask all those who work for the Rolling Stock Business to ensure compliance with this Quality and Safety Policy and support its implementation and improvement.

Signed by: Andrés Arizkorreta

CEO

July 2018





To meet the expectations of clients throughout the life cycle and ensure that there is compliance with the applicable legal requirements, we have implemented our own quality management system, to monitor the effectiveness of the organisation and the quality of our products and services. This helps us to achieve the desired quality at an optimal cost and to increase our clients' satisfaction and confidence in CAF's products and services.

Adapting projects and manufacturing to the circumstances and requirements of each client is part of how we work at CAF. For this reason, the Group's various sites have the latest technologies available on the market and use the most advanced techniques to optimise production, with the Group certified to the ISO 9001:2008 and ISO TS 22163 (IRIS v3) standards, as well as other standards more specific to each product and service provided. In this regard, it is worth highlighting the following certifications:

Certifications	Area
ISO 9001:2015	Quality management
ISO TS 22163 (IRIS v3)	Quality management specifically for the rail sector
ISO 14001: 2015	Environmental management
OHSAS 18001	Occupational health and safety management
ISO 26000: 2012	Corporate social responsibility management
ISO 27001	Cybersecurity management
ISO 166002:2014	R&D+i management
ISO 3834-2	Fusion welding of metallic materials
AEO Authorised Engineering Organisation	Quality management
EN 50126 / EU 402	Safety management system
DIN6701-2	Manufacturing adhesive bonds on rail vehicles and parts or rail vehicles
EN 15085-2	Welding of railway vehicles and components.
AAR M-1003	Association of American railroads quality assurance specification.
RISAS Railway Industry Supplier Approval Scheme	Approved supplier of wheelsets, couplers and gearboxes.
UNE-EN ISO/IEC 17025:2005	Conformity assessment. General requirements for the competence of testing and calibration laboratories.
UNE-EN-ISO 3834-2:2006	Quality requirements for fusion welding of metallic materials. Part 2: comprehensive quality requirements. Manufacture of railway vehicles (body structure, bogies and sub-assemblies).
Directive 2004/49 / EC and Regulation EU 445/2011	Certificate of maintenance functions – fleet maintenance management



For all activities we perform internal audits, with the aim of continuously improving the Management System and ensuring that we meet the requirements of the standards for which we are certified.

It is also common for the clients to carry out project audits, to ensure that CAF is meeting the contractual requirements of the projects that it has been awarded.

Furthermore, for Vehicles tenders, the client is provided with CAF's Business Management Manual and, when each contract is awarded, they are provided with a specific quality plan tailored to each client, containing, among other things, the schedule of inspections and tests to be carried out for units manufactured in CAF's plants and in the facilities of its suppliers, which is also agreed with the client in each case.

CAF collaborates with UNIFE in various quality and safety working groups.

3.2 Product safety

[MA 416, 416-1, MA 417]

In the rail industry, the quality of a product is essential for ensuring its smooth operation and the safety of users.

For this reason, CAF has a “Safety Policy” which establishes the objective of designing, manufacturing and maintaining railway vehicles with adequate safety levels for all projects, including compliance with contractual safety requirements. For this purpose, a “Safety Plan” is defined for each new project, including the following three rules:

- Safety must take priority over all other performance parameters.
- Safety management must be incorporated from the start of the development process of the product and continue throughout its life cycle.
- Any safety risks while in service must be eliminated or reduced to an acceptable safety level through the implementation of the appropriate mitigating actions.

In the “Excellence in client relations” section, we have already presented the example of the safety policy for the Vehicles area, which is very similar to all other activities and the most important in terms of volume of business. This is available on the website www.caf.net.

CAF’s Safety Management System ensures safety throughout the organisation and during the whole life cycle of a project, from the tendering process and the development and manufacture of the product, to the end of the warranty period, and it includes contractors and suppliers.

CAF has a respective Safety Management System for each of its activities. This Safety Management System certificate verifies that we are meeting the requirements outlined in Regulations (EU) 402/2013 and 445/2011 regarding adopting a common safety method for risk assessment and evaluation and the reference safety standard EN 50126 1:1999 on “Railway Applications. The specification and demonstration of reliability, availability, maintainability and safety (RAMS)”. Indeed, together with the UNIFE association, CAF has participated in the working group that is developing standard EN 15016. Our main objective next year will be to obtain the same certification for a period of up to five years.

It is also worth noting that, in many specific projects, the client or authority requires them to be certified by an ISA (*Independent Safety Assessor*), so they are audited.

3.3 Innovation

CAF places special importance on continuous innovation in its range of products and services, to follow the global trend of increased mobility, limiting fossil fuels and climate change, which are having a direct impact on the sustainability of the transport sector.

We translate this desire into action through new knowledge generation activities and the development of new technologies and products designed to offer more advanced transport solutions, considering both the needs that are perceived today and the global megatrends and future visions regarding passenger transport, which will enable us to have more efficient, affordable and eco-friendly solutions.

The CAF Group harnesses and coordinates its product and technology innovation initiatives within a corporate Innovation Strategy. The Innovation Strategy is designed and reviewed annually, following an established process that allows us to align our technology and product/service development activities with the company’s main strategic challenges that have been identified by the Board, seeking to develop sustainable solutions for our clients, whilst ensuring that we are competitive at the same time.

The Strategic Innovation Plan is implemented through the Annual Innovation Plan, which consists of: The R&D Plan and annual Product Plans.

● R&D Plan - CAF Group

CAF's R&D Plan combines the development of knowledge generation activities with the development of the CAF Group's technologies, allowing us to set ourselves apart from our competitors, while participating in the main collaborative R&D initiatives in the sector that are described in the section below, thanks to which, the CAF Group is actively involved in the further development of the rail sector as a whole.

Within our range of activities and lines of work included in the R&D Plan, we would like to highlight the following, as they are aligned with the company's current and future priorities.

Energy and the environment

There are several areas of work within our coordinated strategy which is aimed at reducing our environmental impact:

- Smart energy management used by the vehicle, including driver support systems, efficient automatic driving systems and intelligent equipment operation management systems.
- The development of on-board energy storage systems based on batteries and supercapacitors and fast charging systems and research into new propulsion systems (hydrogen, etc.) for use on trains that travel on infrastructures with no catenary.
- The development of specific technologies aimed at reducing the train's energy consumption, either by improving efficiency (traction systems based on new silicon carbide components, aerodynamic improvements, etc.) or by making vehicles lighter (new materials, simplification of architectures and elimination of cabling).

Rail digitalisation

CAF is aware of the huge importance of the digital transformation process that is currently taking place in all areas of society and, therefore, it devotes a significant part of its R&D efforts to developing its own digitisation approach for rail transport, progressing along the following lines:

- Development of technology to provide a data capture and transmission infrastructure throughout the rail system, including aspects such as sensors and communications 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 especially important areas such as diagnostics, maintenance, energy consumption and operation.

● Product Plans - CAF Group Activities

The Product Plans include the product improvement and development projects, based on technologies widely used in CAF.

Some of the most representative activities that are currently underway include:

- Reducing the weight of vehicles by using lightweight materials or optimising how they are used, thus resulting in lower energy consumption.
- Integrating battery packs into trains rather than diesel engines, allowing trains to travel on non-electrified sections. This reduces gas emissions and external noise levels.
- Reduction of energy consumption with variable flow engines.
- Lower internal noise levels through the use of absorbent materials or by improving motorisation rates.
- Development of signalling systems based on automatic operation, which help to increase line capacity and enable energy-optimised automatic driving.

Notable innovation projects underway or completed in 2018

We have listed some of the most notable projects from 2018 that fall within our Technology and Product Innovation activities and have an impact on the overall activities of the CAF Group. As we are aware that the key to innovation lies in knowledge and the people who develop it, CAF remains committed to increasing our internal technological development capabilities.



Shift2Rail European Initiative

Shift2Rail is currently one of the leading drivers of change in the rail industry. It is a major European initiative within the Horizon 2020 Framework Programme, engaged in research and innovation aimed at accelerating the integration of new technologies in the rail sector. Shift2Rail brings together the major players in the European rail sector. CAF plays a prominent role, as it is one of the eight founding members of the initiative, and it is also responsible for coordinating "Innovation Programme 1: Rolling Stock" which includes all of the vehicle-related developments.



Fine 1 European Project

FINE 1 is a project that was launched as part of Shift2Rail, with the aim of developing improvements for noise and energy use. It conducts research into technologically innovative solutions that lead to reductions in the noise and energy consumption of rail systems. CAF plays a prominent role in it.



Connecta and Connecta-2 European Projects

Connecta and Connecta -2 are projects that were launched as part of Shift2Rail, with the aim of radically improving the train control, diagnostics and monitoring system (TCMS). It seeks to incorporate advanced capabilities such as a wireless communication in the train network, the capacity to run high-safety functions (SIL4), and the validation of the system's operation before it comes into operation. These developments support the shift towards the digitisation and automation of the rail industry. In addition to being one of the major contributors on the technical side, CAF coordinates the Connecta project for the entire consortium. The development of the Virtual Coupling demonstrator in 2018 was a particular highlight.



PINTA and PINTA-2 European Projects

PINTA and PINTA-2 are projects that were launched as part of Shift2Rail, with the aim of developing the next generation of rail traction systems. It develops new technology systems for power electronics components, aimed at reducing their size and weight and increasing their energy efficiency. It also develops methods to increase the reliability and availability of traction systems, and to reduce the time and cost of validation and certification processes. CAF Power & Automation plays a leading role in the consortium, as one of the members with the highest level of activity.



3.4 Supplying assurance

[MA 416]

CAF has several indirect indicators that measure how the relationship with the client has evolved and enable us to determine the kind of experience that they are having with CAF, in addition to client satisfaction surveys for such things as the delivery rates, availability and reliability of equipment.

CAF's contracts include numerous requirements relating to meeting delivery deadlines, certification requirements, manufacturing site requirements and other operational risks.

As we have mentioned, for each project, we establish a multidisciplinary project team, led by a manager, whose objective is to meet the quality, cost and time requirements of the contract and maintain continuous communication with the client.

3.5 Responsible supply chain

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

● Principles of supply chain management

The CAF Group manages its supply chain based on a continuous improvement process that describes how the various activities must be carried out to ensure that the materials are purchased, stored and delivered to the production lines on time, within cost and with the required quality, safety and sustainability requirements. The effectiveness of these activities is monitored by a cross-departmental team composed of the managers of the various departments involved in the supply chain.

The main activities carried out in the area of supply chain management over the course of 2018 were:

- Implementation of a lean procurement methodology
- Supplier improvement and development projects
- Development of supply chains in countries with significant operations

The latter is essential for the sustainability of the CAF Group's activities. In 2018 our percentage of spending on local suppliers in countries with significant operations was 64%⁴. Thus, as well as guaranteeing the supply and maintaining relations with the community, CAF helps to promote a stable local economy.

CAF mostly purchases processed products, mainly made of steel, aluminium, polymers and glass. The main raw material bought by CAF is the iron and steel profiles and sheets, used to manufacture body structures and bogies, and steel ingots, used to manufacture rail components.

● Communication with suppliers

As one of our main stakeholders, suppliers play a decisive role in the Group's capacity to deliver high-quality products and services to clients. CAF promotes their development, considering the balance between the company's objectives and the needs and expectations of its suppliers.

In order to measure our suppliers' perception regarding our processes and organisation, the Vehicles area conducted a Supplier Satisfaction Survey in 2018. The survey was aimed at suppliers that had been identified as being of strategic importance. The result of that survey shows a remarkable level of satisfaction. In 2019, the opportunities for improvement will be analysed and addressed and we will broaden the scope of the survey to some of the Group's other activities.

⁴ This includes the figures from purchases made in the Group's biggest operations, representing 85% of CAF's workforce. For our Bus business, we have included the figures since it became part of the Group in September. A supplier is considered local when it is based in the same country.

In terms of communication with suppliers, the Vehicles area is continuing to promote the Ariba Negotiation Platform and the Suppliers' Portal as our main communication channels.

● Integrating sustainability into the supply chain management strategy

The CAF Group requires all of its suppliers and subcontractors to comply with the ethical principles contained in the CAF Code of Conduct that is published on the corporate website (www.caf.net), which include social, gender equality and environmental commitments⁵. Additionally, in 2018 our Vehicles operation, the most important in terms of volume of business, approved its Procurement Policy and the Code of Conduct for Suppliers⁶, which further develop the commitments already established in the Group's CSR Policy and Code of Conduct.

In this area, we identified the following risks associated with the Procurement Policy in relation to social, gender equality and environmental issues: (i) violation of business ethics by suppliers; (ii) suppliers failing to comply with the laws and regulations; (iii) disregard for the protection of human rights and (iv) engaging in corrupt acts (bribery).

The impact from those risks may result in the loss of suppliers and penalties/breaches of contract with clients and harm the image or reputation of the CAF brand. Both impacts are felt immediately in the short term, but those impacts may also persist in the medium time due to the need to find replacement suppliers.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

In order to evaluate our suppliers' compliance with the Code of Conduct, this year the CAF Group has significantly strengthened our Responsible Procurement Programme, through the following measures:

- Joining the *Railsponsible* initiative, which focuses on extending sustainable practices throughout the value chain of the rail industry.
- Collaboration agreement with the company Ecovadis, which specialises in sustainability assessments.
- Training in aspects of Corporate Social Responsibility and Environmental Management for 36 people involved in the procurement process, including Category Managers, Buyers and CAF's Supplier Approval team.
- The Vehicles and MiiRA businesses have carried out a campaign to assess compliance with CAF's code of conduct, focusing on the suppliers of materials and equipment with the biggest environmental impact, as well as suppliers operating in countries where there are social risks. Thanks to launching this assessment of suppliers who represent 46% of the purchases made by those businesses, we identified three suppliers with negative social or environmental impacts, and they have been asked to introduce mitigating measures.

● Development of suppliers

The CAF Group has established specific approval procedures adapted to the needs of each activity and product or service required from its suppliers. As a general rule, all suppliers are assessed in terms of their ability to supply high-quality products and meet the established deadlines. For such purpose, the CAF Group assesses the following aspects:

⁵ Representative figure of 66% of purchases made in domestic and international subsidiaries, in our main businesses, over the course of 2018 (Rolling Stock, Rail Services, Components, Signalling, Power and Traction), Systems and Engineering and Bus). For our bus business, we have included the figures since it became part of the Group in September.

⁶ Applicable to suppliers and subcontractors.



- Certifications (SA8000 Social Accountability Certification, ISO 14001 Environmental Management System Certification, OHSAS 18001 Occupational Health and Safety Management Certification, ISO 22301 Business Continuity Management System Certification, etc.).
- Product quality management required for IRIS certification (risk assessments, quality certificates and supplier management, among others).
- Compliance with the CAF Code of Conduct.
- Timely compliance with the CSR Policy.

In addition to the above aspects, in the Vehicles business, for suppliers to be approved it is an essential requirement that an audit is performed on their premises. As a result of this process, the capacity of the supplier is rated as A (Optimum), B (Satisfactory) or C (Unsatisfactory).

If the assessment of a supplier shows poor performance, the supplier is urged to define and complete an action plan to improve the weaknesses that were identified. This action plan is monitored in a forum in which the purchase managers take part, together with the experts associated with each performance indicator: SQA (Quality), Activation (OTIF), Safety and Maintenance (Reliability).

We also have a team devoted to the development of suppliers, with two primary objectives: to adapt the processes of new suppliers to their requirements and help small and medium-sized local suppliers to improve their performance.

4

THE EXCELLENCE OF OUR TEAM

“CAF is committed to promoting the professional development of its employees, taking into account the possible balance between the company's objectives and the needs and expectations of its employees. CAF promotes the constant updating and improvement of the skills and competences of the entire organisation.”

*CAF Corporate Social Responsibility Policy
29 December 2015*

4.1

The value of our human capital

4.2

Occupational risk prevention

4.1 The value of our human capital

[102-7, 102-8, 102-12, 102-35, 102-36, 102-41, MA 202, 202-1, MA 401, 401-1, MA 402, MA 404, 404-1, 404-3, MA 405, 405-1, MA 406, MA 407, MA 408, MA 409, MA 411, MA 412, 412-2]

● People and their talent are key

The people who make up the CAF Group are vital for developing a sustainable project, as is also clearly stated in the Corporate Social Responsibility Policy and our Code of Conduct.

CAF promotes the professional development of people, striking a balance between the company's objectives and the needs and expectations of the employees, and promoting the continuous adaptation and improvement of competencies and skills. The experience, knowledge and motivation of our staff are reflected in each of our products and services.

To achieve this balance and continuous improvement, since 2017 we have been reviewing our human resource practices, leading to us establishing a new people management process at a corporate level. Through this framework we have defined our own standard, which is common to all of the Group's companies. Given its comprehensive nature, it requires a wide scope to ensure the adaptation of the organisation, covering induction and internal mobility activities, the assessment and classification of professionals, and their training and development. Additionally, we have reviewed and defined the policies regarding remuneration management and labour relations, at a corporate level. In 2018, actions were implemented to ensure compliance in the Group's various operations, and in the CAF Group's domestic and international subsidiaries, and this will continue throughout 2019.

In this area, we identified the following risks relating to occupational hazard prevention and adequate professional development of careers: (i) staff turnover (ii) insufficient training and professional development (iii) lack of diversity and equal opportunities (iv) accidents and damage to health.

The impacts from those risks may lead to lower productivity from employees, damage to health and lower motivation and fines relating to the occupational health and safety of workers. Since those risks and their impacts emerge gradually, they are felt in the medium term.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

Social dialogue

In terms of how we organise social dialogue, it is worth highlighting the continuous communication between the employees, the representatives and the company, so that we are aware of their concerns and expectations, which should allow us to reach agreements that benefit everyone. There are various procedures for informing and consulting with staff and negotiating in the Group, bringing added flexibility to enable us to adopt the most appropriate methods, according to the customs and practices in each location and the legal regulations.

All employees of the parent company and domestic subsidiaries from all of the Group's businesses are covered by industry-wide or company-wide collective bargaining agreements, which as a whole are generally applicable to all workers. Globally, it is worth noting the collective bargaining in which we engage on a variety of issues (pay, working day and working hours, etc.) in various locations (Algeria, Brazil, Chile, Mexico, New Zealand, Poland, etc.), covering 85% of the CAF Group's workforce.

Additionally, with regard to people participation and communication, over the course of 2018 various Organisational Health Studies were conducted within the CAF Group⁷, included in the

⁷ The Organisational Health Studies conducted in the Group cover at least 48% of the total workforce.

scope of this report. These measures are part of a set of activities aimed at promoting communication.

Specifically, in the case of the parent company, there has been a notably high participation rate, standing at 80.6%, which is above the average participation rate in companies that have used this type of methodology.

One of the goals of this initiative is to have a general indicator that allows us to quickly and easily see the state of CAF's organisational health, and to monitor its progress over time.

It is also worth highlighting certain initiatives relating to people participation and communication within the Group, such as promoting direct communication. This has been done to notable effect in the parent company and in the subsidiaries in the USA and Poland.

Attracting talent

In CAF, talent management is a key factor in the organisation's success. Therefore, attracting, developing and retaining talent are critical phases for the company. As a global company, we have a specific recruitment procedure that is part of the people management process, defining a common corporate framework for recruitment and internal mobility, composed of an initial phase where the Recruitment Plan is approved, a selection process that can be internal or external, hiring and, finally, the induction plan. Through this process, we ensure equal employment opportunities.

The activities currently performed by CAF to ensure that we have adequate resources in our various operations in each geographical area, include the following: attending job fairs, at home and abroad, open-door days and advertising job vacancies on various employment platforms or on the corporate portal. With regard to the latter, it should be noted that this complies with the General Data Protection Regulation.

In 2018, we continued with the resource recruitment plan to cover the needs of the growth initiatives in our various operations. In 2018, the Group's average workforce increased to 9,630, with the number of staff standing at 11,433 people⁸ on 31 December 2018. Thus, the CAF Group increased its average workforce by 1,682 people during 2018 and by 3,005 by the end of the period. The effect of Solaris Bus & Coach joining the Group should be noted, with a workforce of 2,432 staff at the end of the year.

CAF Group Workforce

	31.12.2018	31.12.2017	Changes
University Graduates	3,634	2,783	▲ 851
Middle Managers and Administrative Staff	1,906	1,306	▲ 600
Production and Services	5,893	4,339	▲ 1,554
Total	11,433	8,428	3,005

At the end of the year, the parent company had a workforce of 4,237 and an average of 4,237.

CAF, S.A. Workforce

	31.12.2018	31.12.2017	Changes
University Graduates	1,155	1,064	▲ 91
Middle Managers and Administrative Staff	589	558	▲ 31
Production and Services	2,531	2,307	▲ 224
Total	4,275	3,929	346

⁸ These figures were obtained from each company's IT systems. To carry out those activities that the company has decided have to be performed by subcontracted staff in its facilities, CAF follows the method of signing service provision agreements, defining the types of activities to be performed. CAF oversees the subcontracting activities and does not believe it is necessary to record the statistics related to subcontracted staff, as it does not deem them to be significant. Therefore, the information regarding subcontracted staff that is required by sections 102-8 and 102-41 of the GRI Standards has not been included in this document.

Changes in staff levels have been consistent with levels of turnover, enabling us to cover ongoing projects in each of our various operations and addressing the challenges set in our established plans.

The distribution of employees is detailed below, according to representative diversity criteria: gender, age and country.

Distribution by Age (Of workforce on 31.12.2018)		Distribution by Gender (Of workforce on 31.12.2018)	
	%		%
Aged below 30	15%	Male	85%
Aged between 30 and 50	72%	Female	15%
Aged above 50	13%	Total	11,433
Total	11,433		

Distribution by Region (Of workforce on 31.12.2018)		
	% Region	% Country
Europe ⁹	85%	
Spain		55%
Poland		20%
United Kingdom		5%
Rest of Europe		5%
America ¹⁰	12%	
Brazil		4%
Mexico		4%
United States		3%
Rest of America		1%
Rest of the World	3%	3%
Total	100%	100%

Also in this area, the voluntary turnover rate among the Group's staff stood at 3.4% in the 2018 period¹¹.

High-quality employment

High-quality, stable employment is something to which CAF is committed. The experience and knowledge of our employees are among the key factors that have enabled CAF to gain a competitive position in all of its current activities. The percentage of permanent employees in the CAF Group at the end of the year was 89%. This percentage rises to 87% among women. From a geographical perspective, in all of the countries where the CAF Group has a strong presence¹², over 86% of our staff are permanent employees¹³. Similarly, the percentage of permanent employees according to each professional classification (employees¹⁴ and labourers) exceeds 87%. Any variations in distribution by type of contract are associated with groups or locations with higher levels of growth over the last year. Thus, permanent employment in the under 30s group is 68%. With these figures, it can be said that permanent employment in the Group is following a stable trend. In the 2017 period, the percentage of permanent employees stood at 90%.

⁹ In Europe the main countries are Spain, Poland and the United Kingdom, which represent 94% of the region.

¹⁰ In America, the main countries are the United States, Mexico and Brazil, which represent 85% of the continent.

¹¹ Figures relating to 84% of the Group's total workforce

¹² The Group's presence in Spain, Poland, the United Kingdom, the United States, Mexico and Brazil covers 90% of its total workforce.

¹³ There is no average for the year, as the consistency of the figures was distorted by Solaris Bus & Coach joining the Group in September.

¹⁴ The Employees professional group includes University Graduates, Middle Managers and Administrative Staff.

Distribution by Contract Type¹⁵

(Of workforce on 31.12.2018)

	%
Permanent	89%
Temporary	11%
Total	11,433

Moreover, if we consider the average workforce according to the type of contract¹⁶ and representative diversity criteria: gender, age and professional group, the figures are similar, as shown in the tables below.

Distribution of the Average by Contract Type and Age

	Permanent	Temporary
Aged below 30	68%	32%
Aged between 30 and 50	91%	9%
Aged above 50	97%	3%

Distribution of the Average by Contract Type and Gender

	Permanent	Tempo ry
Male	88%	12%
Female	89%	11%

Distribution of the Average by Contract Type and Professional Group

	Permanent	Temporary
Employees	90%	10%
Labourers	88%	12%

These figures at the end of the year are the net result of the employees who joined and left our staff during 2018. Regarding the latter, involuntary terminations represent 1.2% of the total workforce, excluding the collective departures associated with the end of operations, mainly in Brazil. These figures have the same distribution as the Group's workforce as a whole, taking into account diversity criteria.

The process for setting and managing wages in the CAF Group is performed as described in the remuneration management policy that has been defined, which applies to the Group. The aim of this corporate standard is to ensure the appropriate management of wages in terms of internal consistency and competitiveness, and their alignment with the challenges and requirements of our businesses.

These general criteria ensure suitable levels of pay and, for this period, the average remuneration¹⁷ of the workers¹⁸ was €34,903.91. By professional group, the remuneration of Employees was 18% above the average wage, with the other group being 17% below the average.

Remuneration by Professional Group

	Wage Gap by Group ¹⁹
Employees	(18%)
Labourers	17%

The average wage in the CAF Group according to age reveals a correlation between age and the remuneration received. The average age of the group aged over 50 is 20% above the average, the group aged between 30 and 50 is paid 3% more than the average and the group aged under 30 is paid 34% less than the average.

¹⁵ The distribution of part-time contracts is not included as they are not significantly represented in the Group's workforce.

¹⁶ To calculate the average by contract type, the distribution at the end of the period was used as a reference and it was extrapolated by applying this to the average workforce for the year.

¹⁷ We have used all annual fixed pay available for full-time work, representing at least 98% of all of the Group's activities, taking into account the annual wages of Solaris Bus & Coach and its subsidiaries. We have used the average exchange rate during the period to convert this.

¹⁸ Excluding directors and senior managers, to whom specific reference is made.

¹⁹ (Average Remuneration – Average Remuneration by Group) / Average Remuneration

Moreover, the average remuneration of all of the women who work in the CAF Group stands at €34,678.25, which is 1% less than that of the men. Duration of service has been identified as the reason behind the differences between the genders.

General Wage Gap by Gender and by Professional Groups and Duration of Service - CAF Group

	Wage Gape by Gender ²⁰	Difference in Duration of Service ²¹
Employees	15%	27%
Labourers	23%	28%
General	1%	29%

General Wage Gap by Gender and by Professional Groups and Duration of Service - Europe

	Wage Gap by Gender	Difference in Duration of Service
Employees	15%	28%
Labourers	12%	33%
General	(1%)	31%

If we analyse the figures by age ranges, the remuneration of women is only lower in the over 50s range. Conversely, in the under 30s group and between the ages of 30 and 50, there is a positive difference in favour of women, 14% and 1% respectively.

Wage Gape by Gender and Age

	Wage Gape by Gender
Aged below 30	(14%)
Aged between 30 and 50	(1%)
Aged above 50	6%
Total	1%

These wage gaps are thus due to the asymmetry in the gender distribution of the different groups and locations.

In any event, the current collective bargaining agreements and the regulations on wages that are applicable to the companies in the CAF Group ensure equal treatment when establishing wage conditions, with gender not a consideration.

The wages of the parent company's directors meet the requirement of applying transparency as a listed company. In this regard, the details and individual breakdown of the conditions for the directors appear in the remuneration report drafted for that purpose, which is published in accordance with the current regulations. Furthermore, the remuneration of the executive board is subject to the defined standards and, for this period, we cannot give a breakdown of the average pay by gender as there are no women in this group.

Creating high-quality employment also requires the necessary organisation of the work in accordance with the specific legislation in each country, the workers' statutes and the collective bargaining agreements. Thus, each company from the Group decides on aspects such as the working day, break periods, calendars, holidays, general leave and leave of absence. Therefore, the policy covers employment relation matters that have been defined and are applicable to the Group. Furthermore, each company establishes measures aimed at facilitating the work-life balance, and some of them are related to regulating the working day, which is generally monitored by recording the time that people enter and leave work.

²⁰ (Average Remuneration of Men by Group – Average Remuneration of Women by Group) / Average Remuneration of Men by Group.

²¹ (Average Duration of Service of Men by Group – Average Duration of Service of Women by Group) / Average Duration of Service of Men by Group.

A common staff-related indicator in organisations is the absenteeism rate. This indicator measures the hours lost compared to the theoretical hours. This year, this rate stands at 4%²² at a corporate level.

● The training and assessment process as the key strategy for developing professionals

The training process is a fundamental part of the training activities and this is apparent in the parent company and in all of the domestic subsidiaries associated with its main activities²³.

In order to ensure that we have an effective and efficient training plan, within the process we have established three large groups of activity that are regularly monitored through a set of indicators. The initial phase consists of analysing the training needs, incorporating both the vertical and horizontal perspectives of each function in transversal training matters (e.g. occupational health and safety, quality, product safety, regulatory compliance, etc.). When that training plan is approved and disseminated, we start implementing and assessing it at three levels (satisfaction, effectiveness and annual review) to strengthen its alignment with the business priorities and its efficiency.

This process has been reviewed regularly over the years, with a focus on continuous development, integrated into process management in some cases and always according to the needs of each activity.

At the end of 2018, we obtained positive figures for the activity and effectiveness indicators of the training process. Across the Group, over 196,000 hours of training have been received, equally shared between the employees and the manual workers. Each person receives an average of 21 hours of training per year, with the figure rising to 23 hours for women. These figures demonstrate CAF's commitment to training for all of its employees, regardless of their gender or professional group.

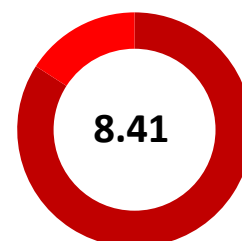
Similarly, the results regarding satisfaction with/the effectiveness of all of the training activities are better than the targets set for the 2018 period, standing at 8.41 and 7.98 points, respectively²⁴.

Within the same process, the performance assessment is one of the elements that drive the development of people in the organisation. 88% of people from the parent company and from all of the subsidiaries associated with its main domestic and international activities²⁵ have been assessed. The distribution of workers assessed, by gender and professional group, is as follows: 83% of women have received an assessment and 90% of men. Furthermore, 99% of manual workers were assessed in 2018 and 76% of employees.

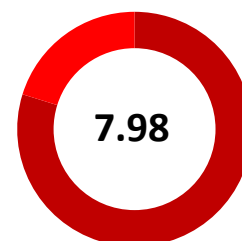
The management process for corporate staff defines a competencies assessment model, for general and technical competencies associated with the job being performed by each person. Additionally, the university graduates and middle managers²⁶ are included in an assessment system, in which they are set individual goals. For 2020, this process will be extended to all of the Group's significant activities.

Over the course of 2018, we continued developing the training programme relating to crime prevention and compliance with the code of conduct in all of the companies associated with the CAF Group's main businesses, starting in the parent company in 2016. Over 91% of the group included in the training plan have received this training to date.

Satisfaction with the Training



Effectiveness of the Training



²² This rate of absenteeism is for 82% of the Group's workforce and it takes into account the lost hours related to accidents in the workplace and illness.

²³ All of the domestic and international subsidiaries associated with our main activities; they represent 84% of CAF's total workforce.

²⁴ Figures for those centres where we have implemented the assessment system for training received.

²⁵ Figures related to 98% of the workforce in the CAF Group's significant domestic and international operations. This calculation has not included the subsidiary Solaris Bus & Coach as it only recently joined the Group in September.

²⁶ At the end of 2018, this initiative had been implemented in Group companies employing 44% of our total workforce.

● Internal mobility as a tool for development

As well as being an activity that provides flexibility to meet the needs of the projects in progress, it is considered vital for the development of staff throughout their working life. Worker mobility is an activity that is facilitated through the training programmes included in the two-yearly training plan, in addition to unplanned training activities aimed at securing qualifications to assume new responsibilities.

Internal mobility processes are common across all of the CAF Group's main businesses.

● Equal opportunities and diversity

One of the cornerstones of CAF's commitment to people is to respect diversity and the right to equal treatment and opportunities for men and women, as indicated in CAF's Code of Conduct, our Corporate Social Responsibility Policy and our Diversity Policy. For this reason, the Group actively promotes the absence of any direct or indirect gender-based discrimination and the defence and effective application of the principle of equality between men and women in the workplace, introducing further measures to facilitate the work-life balance.

In this regard, the Collective Bargaining Agreement of CAF, S.A. (for the centres in Beasain, Irún and Madrid) expresses our desire to promote women's access to employment and the effective application of the principle of equality of treatment and non-discrimination in work conditions between men and women.

In 2018, the percentage of women who joined the CAF Group represented 17% of all new recruits. Finally, it is worth noting that these recruits in the Group helped us to exceed the total number of female employees in the Group in 2017, when they represented 14% of staff.

Furthermore, as indicated above in the chapter on training, during 2018, women received 23 hours of training, 10% higher than the overall average. It is also worth highlighting our active participation in celebrating "*International Women in Engineering Day*", through the mentoring offered by the women in the company to a group of young women, in a team challenge²⁷.

The Group is committed to promoting equal opportunities through internal policies and strategies, and to ensuring that all workers have the same opportunities to realise their potential. Consequently, we will take appropriate measures and decisions in the event of any action that constitutes or leads to gender-based discrimination.

In order to ensure comprehensive monitoring of these commitments and their respective initiatives, all of the Group's companies comply with the legal provisions regarding the development of equality plans²⁸ and various management mechanisms have been put in place such as the action protocol in the event of sexual or gender-based harassment and equality commissions, with representatives of the company and of the workers. For its scope, it is notable that there is an equality commission within the parent company that is responsible for developing, implementing and monitoring the quality plans, analysing possible measures and actions to help facilitate the work-life balance. We are currently developing the next equality plan, which will be in effect until 2022 and demonstrates the Group's desire for continuous improvement.

In this vein, for next year, we are working on developing and implementing specific e-learning training relating to gender equality, with the aim of learning about the most important concepts regarding equality between women and men, reflecting on what equality means in the workplace and in management roles, broadening knowledge of the current Equality Plans in CAF and teaching staff how to use inclusive language in internal and external communication.

The principles of non-discrimination and equal opportunities in the CAF Group are outlined in the Code of Conduct. Within this context, no cases of discrimination were detected in the CAF Group in 2108.

²⁷ This initiative was developed by the Group's company BWB Consulting.

²⁸ 100% of the companies have developed it in the following period, complying with the requirements outlined in the regulation.

In order to promote diversity, CAF respects universal accessibility by considering criteria that ensure that their working environment and the products that we manufacture respect human diversity and they are safe, healthy, functional, easy to understand and aesthetically pleasing.

Accessibility to CAF's physical environments is facilitated by ensuring that all new investment in industrial buildings and services, and the adaptation and fitting out of our facilities and general services comply with the regulations and standards on site accessibility.

In terms of the accessibility of products and services, from the design phase CAF prioritises their accessibility to ensure universal usability for everyone. It must be possible for people with disabilities to use the designs, without any special adaptations or modifications.

Every product manufactured by CAF is designed to meet, and in some cases exceed, the accessibility requirements stipulated in the regulations of each country where contracts are awarded, and the requirements established by European reference standards.

In the case of rolling stock manufactured by CAF, we meet the requirements stipulated in the European Union's Technical Specifications for Interoperability and Accessibility for people with reduced mobility from 2014. As for city buses, they are manufactured in accordance with the specifications set forth in annex IV of Directive 2007/46 establishing a framework for the approval of motor vehicles, recently amended by Regulation (EU) 2017/2400. These provisions include the requirements outlined in Regulation No. 107 of the Economic Commission for Europe of the United Nations (UNECE) regarding uniform provisions concerning the approval of category M2 or M vehicles, with regard to their general build and, specifically, their accessibility for passengers with reduced mobility.

CAF's extensive experience in developing accessible projects allows us to offer outstanding quality in this regard, guaranteeing their simplicity, so that any passenger will be able to cope on our transport without needing previous experience; usability, the vehicles have adequate signs for entrances and mechanisms to allow all types of passengers to use them; and ease of use, physical capabilities do not determine the user's experience.

Finally, it is worth noting that the CAF Group complies with the provisions of the legislation on the rights of people with disabilities and their social inclusion in each country. This is done by directly hiring workers with certified disabilities and adopting any alternative measures stipulated in the current legislation.

● Respecting human rights

In addition to being committed to strictly complying with the current legislation in each country where it conducts its business, in its Code of Conduct and Corporate Social Responsibility Policy, CAF has outlined its commitment with the adoption of measures that ensure scrupulous respect for fundamental rights, the principles of equality and non-discrimination and all other principles in the Universal Declaration of Human Rights and in the United Nations Global Compact.

The CAF Group adopts the measures that it considers necessary to ensure that the workers are able to exercise their rights of freedom of association and collective bargaining in all countries where it operates. Furthermore, it implements the necessary measures to prevent child labour, forced or compulsory labour or assigning hazardous work to young people, both in its own operations and upstream. In this regard, in 2017 the Group issued the declaration against slavery and people trafficking from the Modern Slavery Act 2015.

Stemming from these commitments, we identify the risks that may jeopardise their fulfilment: (i) violation of the principle of equal treatment and/or discrimination in the workplace; (ii) a lack of freedom of association and collective bargaining in our own and/or third-party centres; (iii) child exploitation in our own and/or third-party centres; (iv) forced labour in our own and/or third-party centres; (v) violation of the rights of indigenous peoples; (vi) mobbing; (vii) inadequate integration of people with disabilities.

The impacts of those risks may result in fines relating to occupational health and safety and the violation of human rights, and we must also consider the damage done to the image and reputation of the CAF brand from the dissemination of such violations in the media. This initial

impact is felt in the short term, but the other impacts have a medium-term effect as they occur more gradually.

The Corporate Social Responsibility Policy, Code of Conduct, Mobbing Prevention Protocol and Crime Prevention Manual set out the basic principles of action, procedures and monitoring necessary to address matters relating to respecting Human Rights, as detailed in chapter “2.3 *Business ethics and prevention of fraud and corruption*”.

In addition to this framework, there is a corporate risk control and management system, which integrates the above risks and provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

The CAF Group has carried out dissemination and training activities relating to the commitments adopted in this area, with the people who are part of the Group's workforce. 91% of people included in the training plan established for this purpose have undergone the training.

Additionally, the CAF Group is committed to maintaining the highest standards of professionalism and integrity in its commercial relations. Specifically, within the supplier assessment process for CAF's main business, we monitor compliance with the Code of Conduct at home and abroad, as described in greater detail in the chapter “3.5 *Responsible supply chain*”.

4.2 Occupational risk prevention

[MA 403, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9]

The Occupational Risk Prevention Policy, approved by CAF's Board, expressly declares its firm commitment to maintaining and improving the risk prevention system to ensure compliance with current legislation, assuming responsibility for protecting workers from occupational risks.

This Policy integrates prevention management into all of the company's activities and decisions, for technical processes and the organisation of work and the conditions under which this is performed, promoting its integration at all hierarchical levels: Directors, Managers, Workers and Union Representatives. The necessary human and material resources are provided to achieve the objectives.

In 2018, for the first time, we published and integrated prevention and environmental policy, applicable to our main activities²⁹, joining the integrated policies in the other main subsidiaries³⁰. Furthermore, the company that recently joined the Group, Solaris Bus & Coach, also has its own occupational hazard prevention policy.

To meet the objective of having no accidents and improving the occupational health and safety conditions, in addition to the above policy, CAF has implemented and is promoting the extension of an occupational risk prevention management system. This system is structured for the development, implementation and oversight of a series of activities which, as a whole, constitute an entire methodology for the prevention of work-related accidents, occupational diseases and damage to property. The management system establishes the management principles and the system's procedures and processes outlining the preventive actions.

In the area of occupational risk prevention, the Group has assessment and monitoring certifications and mechanisms that exceed the legal requirements in each country where the Group is present.

In this regard, in 2018 the audit was performed for the renewal of the Management System's certificate according to the requirements of standard OHSAS 18001:2007, along with the compulsory audit for the plants in Beasain and Irún, and the audit to maintain this certificate for the plant in Zaragoza and for the subsidiaries CAF T&E and CAF Signalling. Furthermore, with a view to performing the internal monitoring of the management system that has been implemented in accordance with the requirements of the standard, we have performed internal audits in each of them.

With regard to the extension of the CAF's occupational risk prevention management system to the other Vehicles and Bus manufacturing plants³¹, internal audits have been performed in all of them, analysing the situation regarding the implementation of the management system and establishing actions and objectives for each of them, for example the certification of the Solaris Bus & Coach management system according to standard ISO 45001:2018 for the year 2020.

The occupational risk prevention management system is structured for the development, implementation and oversight of a series of activities which, as a whole, constitute an entire methodology for the prevention of work-related accidents, occupational diseases and damage to property. The management system establishes the management principles and the system's procedures and processes outlining the preventive actions.

Risk assessment for the Health and Safety of the workers is the process aimed at calculating the extent of any risks which it has not been possible to avoid, thus obtaining the necessary information to adopt preventive measures. After identifying the safety, health, ergonomic and psychosocial risks for each workplace, job and activity, they are assessed. When the result of the assessment reveals hazardous situations, preventive and corrective measures are proposed and measures are taken to eliminate or reduce risks by acting at origin, organisational action for collective protection, individual protection or training and informing workers or a combination of

²⁹ Vehicles, Rail Services and MiiRA activities

³⁰ Subsidiaries such as CAF T&E, CAF Signalling and CAF P&A

³¹ Specifically CAF France, CAF USA, CAF Mexico, Trenasa and CAF UK.

all or some of these actions. For this purpose, the hierarchy to be established for proposing control measures is as follows, in this order: elimination, replacement, engineering controls, signs/warnings and/or administrative controls and, finally, PPE.

The significant activities that are part of the management system include the investigation of accidents and incidents that have occurred, which has as its aim the adoption of those measures necessary to prevent their repetition through the gathering of information which allows us to establish the facts and the basic causes of the accidents or incidents in question. When adopting the measures that arise from this process, the hierarchy established above is taken into account.

In terms of occupational health services, CAF has an in-house prevention service for its plants in Beasain and Irún, which are responsible for covering safety in the workplace, industrial health, ergonomics and applied psychosociology, with all other areas outsourced to third-party prevention companies. Those companies have staff with the skills and qualifications to perform the respective functions, and healthcare services authorised by the competent authority in each case, to ensure a high-quality service while also allowing the workers to use those services.

With regard to health and safety, there is also a social dialogue that is managed through the official worker/company committees. The main manufacturing plants of CAF's Vehicles and Bus business, and the subsidiaries CAF T&E, CAF Signalling, CAF Rail Services, each have an occupational health and safety committee, with the participation of the board, the health and safety officers, the prevention service and, where applicable, the people responsible for the activity. These committees are responsible for gathering information from the different operational levels and approving occupational risk prevention plans, involving workers in the development of these plans. Moreover, they make the appropriate decisions and monitor the proposed actions in order to fulfil the set objectives. In other companies, forums have been set up for the consultation and participation of workers, serving as a channel of communication with the parties concerned, through which proposals and relevant topics of interest are put forward. These mechanisms enable 100% of people with activities that require special attention and 71% of all of the Group's employees to be represented in the field of occupational health and safety.

Furthermore, over the course of 2018, CAF PA set up an in-house prevention service that covers safety, ergonomics and applied psychosociology, while CAF TE and CAF Signalling have a third-party prevention company for all areas.

● Occupational Risk Prevention Plan

The Occupational Risk Prevention Plans that are implemented every year define the preventive activity programme and the yearly occupational risk prevention targets.

In terms of accident rate targets, 3 main indicators are measured: the frequency index, the severity index and the absolute frequency index. The following table shows these indicators for the CAF Group's most important domestic and international operations³² and the number of cases relating to occupational diseases that have been identified.

³² The indicators cover 94% of the CAF Group's total workforce. The number of hours worked in the specified group totalled 16,812,399. Bearing in mind the distribution by gender of the current workforce, it is not considered necessary to keep a statistical breakdown of those indices based on this criterion.

Occupational risk prevention in figures	CAF Group
Frequency index ³³	20.40
Severity index ³⁴	0.42
Absolute frequency index ³⁵	78.69
Occupational disease rate ³⁶	10.28

Information regarding work-related injuries during the last year is detailed below for the same group.

Occupational risk prevention in figures	CAF Group	
Deaths as a result of a work-related injury ³⁷	No.	0
	Rate	0
Serious work-related injuries (excluding deaths) ³⁸	No.	2
	Rate	0.12
Recordable work-related injuries ³⁹	No.	1,323
	Rate	78.69

Based on collaboration with social agents and social dialogue on health and safety, with the aim of reducing accident rates and improving working conditions in plants, we establish various lines of action, which are included in the yearly occupational risk prevention plan.

Additionally, in the parent company's Occupational Risk Prevention Plans, the health surveillance and promotion guidelines to follow are established. The general aim of health surveillance is to improve the quality of the information regarding exposure to risks in occupational medical records and it focuses on the following lines of action: defining the specific information to be improved and adapting the IT tool to the medical record needs.

In addition to safeguarding the health and safety of its workers, the management system implemented by CAF addresses issues aimed at preventing or mitigating the risks of workers from other companies who carry out their activity in CAF's facilities, and any people who visit CAF's facilities. For this purpose, within the management system, we establish coordination measures and methods with those companies to ensure the application of the regulations on occupational risk prevention and the coordination of business activities with those companies. Similarly, it outlines the steps to take to manage visits to CAF's facilities, in terms of the information provided on hazards and the preventive measures to take.

With regard to the risks that arise from the supply of any equipment and materials that may be included in CAF's manufacturing process, due to its commercial relations with its suppliers, CAF has control mechanisms and procedures to identify and assess those risks and establish preventive and protective measures aimed at reducing or eliminating those risks.

The training given to workers on occupational health and safety stems from the risks identified in the job risk assessments and it is included in CAF's two-yearly Training Plan.

There is a process for training/informing new workers of the risks and the preventive, protective and emergency measures to adopt in the workplace, through an induction plan. Additionally, depending on the tasks to be performed by the worker and the risks to which they are exposed in their job, they are given specific training on occupational risk prevention.

In terms of health promotion activities, we aim to collaborate with the National Health Service to promote healthy eating habits that improve the physical and mental wellbeing of workers. The parent company includes these activities in the yearly Occupational Risk Prevention Plan and

³³ $F1 = \frac{\text{Number of accidents with sick leave} * 1,000,000}{\text{Hours worked}}$

³⁴ $S1 = \frac{\text{Number of work days lost} * 1,000}{\text{Hours worked}}$

³⁵ $F2 = \frac{\text{Total number of accidents} * 1,000,000}{\text{Hours worked}}$

³⁶ $OD = \frac{\text{Number of occupational diseases} * 10,000}{\text{Number of workers}}$

³⁷ $\text{No. of deaths resulting from a work-related injury} * 1,000,000$

³⁸ $\text{No. of serious work-related injuries (excluding deaths)} * 1,000,000$

³⁹ $\text{No. of recordable work-related injuries} * 1,000,000$



reports on them at the meetings of the Occupational Health and Safety Committees. The activities that are promoted are grouped into promoting healthy eating and physical exercise, preventing infectious diseases, health checks and training and information in the area of first aid, health and ergonomics.

5

HELPING TO PROTECT THE ENVIRONMENT

“CAF carries out its business under the premise of minimising negative environmental impact, preventing pollution, promoting research, development and innovation that improves processes, and training its employees in appropriate environmental and natural heritage management.”

*CAF Corporate Social Responsibility Policy
29 December 201*

5.1

Sustainable mobility and eco-efficient products

5.2

Environmental footprint of operations

As an organisation, CAF sets itself the goal of combating climate change and protecting the environment, primarily in two ways:

1. **Providing more efficient and environmentally friendly means of transport.** To do this, the Group harnesses and coordinates its product and technology innovation initiatives within a corporate Innovation Strategy aimed at aligning our technology and product/service development activities with the company's main strategic challenges, to develop and offer efficient, affordable and eco-friendly solutions for our clients, whilst ensuring that we are competitive at the same time.

Chapter "5.1 Sustainable mobility and eco-friendly products."

2. **Preventing the environmental impact of all of the industrial activities performed.** As indicated in CAF's Environmental Policy, the activities performed are aimed at adopting the necessary and financially viable measures to control and minimise any significant environmental aspects, such as atmospheric emissions, the generation of waste and energy consumption, among others.

Chapter "5.2 Environmental footprint of operations."

In these two areas, we have identified the following environmental risks associated with the products and services offered and the industrial activities carried out by the company: (i) use of polluting materials; (ii) failure to optimise energy consumption; (iii) impact on water sources; (iv) impact on biodiversity; (v) greenhouse gas emissions; (vi) waste generation; (vii) environmental impact of products and services; (viii) failure to comply with the applicable environmental regulations; (ix) failure to meet the requirements set in the client's specifications; (x) extreme weather conditions associated with climate change.

The impacts of those risks may take the form of fines and inspections associated with the failure to comply with environmental laws, irreversible damage to the ecosystem and its effect on the environment (population, etc.) and the additional costs in the CAF Group's operations due to the adverse effects of climate change. These impacts have a direct effect in the short term, but the latter two impacts may be felt in the medium term given that environmental impacts endure over time. In this vein, it should be noted that there are no provisions or warranties for environmental risks, as there are no litigations or contingencies related to protecting and improving the environment or environmental pollution events.

Providing a context for those risks, the Group has established an Environmental Management System, with the aim of improving its environmental performance, meeting its legal requirements and achieving its environmental objectives. This system is based within the ISO 14001:2015 reference framework.

This environmental management system has an Environmental Policy and the Manual for the environmental management system which establish the management principles, the management system procedures and the records in which completed actions are documented.

There is also an Environmental Committee, in which the directors participate, meeting regularly as the environmental steering committee, coordinating and promoting any actions deemed necessary to achieve and improve environmental performance.

In addition to this framework, there is a corporate risk control and management system, which integrates the above risks and provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

5.1 Sustainable mobility and eco-efficient products

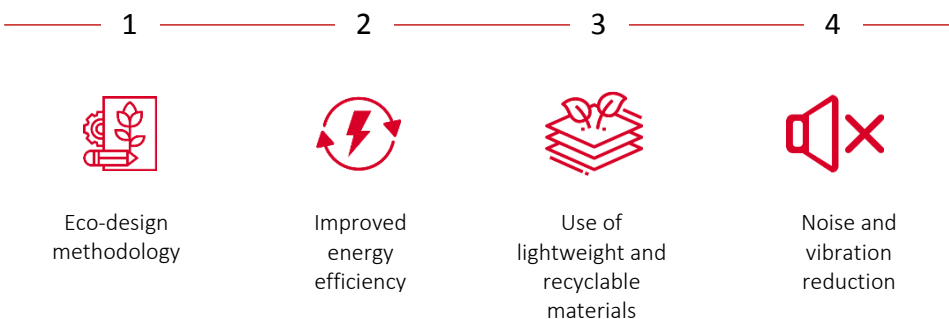
[201-2]

The significant environmental benefits of rail have made it the most efficient and competitive system, with enormous potential to reduce our environmental impact, improve the quality of life of citizens and actively help to protect the ecosystem⁴⁰.

- Gas emissions that contribute to the greenhouse gas effect (GHG) caused by transport increased by around 20% between 1990 and 2013 in the EU. Currently, transport is responsible for almost 23% of global CO₂ emissions, of which rail only contributes 0.7% of global emissions.
- Through the “2011 Transport White Paper” the European Commission has set the objective of reducing CO₂ emissions by 60% for the period between 1990 and 2050. This means that a special effort is necessary in the coming years to reduce those emissions.
- With the growing trend towards urbanisation, there are ever increasing problems with air quality in cities, where the authorities are frequently taking steps to restrict access for private vehicles.

As the greenest mode of transport, the rail industry can make a significant contribution to the fight against climate change.

Against this backdrop, CAF is prioritising activities aimed at improving the energy costs of the transport and providing highly efficient alternatives for mobility, establishing the pathway towards a sustainable, clean, eco-friendly and emissions-free future. These have taken the form of the following lines of action; 1) Eco-design methodology, 2) Improved energy efficiency, 3) Use of lightweight and recyclable materials, 4) Noise and vibration reduction⁴¹.



⁴⁰ UNIFE (Association of the European Railway Industry). International Energy Agency

⁴¹ Icons created with Flaticon's "Eucalypt", "Good Ware", "Nhor Phai" and "Catalin Fertu".

Eco-design methodologies



CAF has been actively involved in developing and implementing methodologies aimed at transforming the industry's environmental performance. For example, our participation in the "Life Cycle Assessment Topical Group" of the European Rail Supply Industry Association (UNIFE), geared towards establishing optimal methods for implementing the legislative and regulatory aspects relating to the environment in the various processes that define the life cycle of a product.

With the aim of offering more efficient and environmentally-friendly means of transport, CAF is involved in implementing the Product Sustainability Function by introducing eco-design methodologies in engineering processes to optimise and control the environmental impacts of products, from their conception and throughout their life cycle.

Highlighting the environmental footprint

CAF determines the environmental footprint of its products using life-cycle analyses (LCAs). Based on this information, CAF presents environmental product declarations (EPD) to its clients.

CAF produced the first verified environmental product declaration (EPD) in the world for a tram in 2011, in accordance with standard 14025, for the Urbos Tram for the city of Zaragoza. This environmental impact assessment of the Zaragoza Tram was quantified using a Life-Cycle Analysis (LCA) in accordance with standards ISO 14040 and ISO 14044. Since then, CAF has continued to certify products in various segments (trams, metro and regional trains), and we are one of the producers of rolling stock with the highest number of EPDs currently registered.

List of EPDs obtained by CAF's rolling stock unit CAF:

- URBOS 100 tram for the City of Zaragoza
- URBOS AXL for Stockholm Lokaltrafik A35 Tram Units
- CIVITY EMU regional electric train for the Friuli – Venezia Giulia region
- URBOS AXL for Stockholm Lokaltrafik A36 Tram Units
- Metro Units M300 for Helsinki Metro Transport
- URBOS 100 tram for the city of Kaohsiung

Improved energy efficiency



Improving the energy efficiency of our products and services is a priority challenge for CAF. Some of our initiatives in this area include:

Energy recovery during braking

Energy recovery during braking is an essential part of the operation of rail networks, as it helps to optimise operations and achieve high efficiency levels. CAF's trains are specifically designed so that regenerative braking takes priority over dynamic and friction braking. This way, the energy recovered during the braking process is returned to the catenary, so that it can be used by another train or returned to the grid.

High-efficiency traction systems

CAF's trains have systems that get the most out of the energy consumed during travel, during both acceleration and braking and even from signalling and signal boxes. In this sense, using highly efficient traction systems allows us to minimise energy losses and optimise consumption.

CAF has implemented a technological initiative that has led to a variable flow engine solution. This solution maximises the performance of the power train, with the design of control strategies that minimise losses in traction engines. Engine flows are actively managed based on the operating conditions (torque, speed, drift, etc.) required of it.

Lower energy consumption

To reduce energy consumption to a minimum, it is necessary to adopt overall measures that also include the train's auxiliary equipment, monitoring its operation and its condition.

- **Auxiliary converter**

In each project the capacity of the auxiliary converter is analysed, to identify all of the loads that it has to power. This prevents any oversizing that could lead to higher-than-recommended weight and consumption.

- **Management of energy consumption when stationary**

To reduce energy consumption during stops, another of CAF's priority objectives, the correct status for each piece of auxiliary equipment is first established. Monitoring carriage by carriage rather than train by train means that only the equipment from certain units has to be activated, according the necessary requirements at any given time. This measure results in significant energy savings.

- **HVAC in optimal conditions**

HVAC systems require a substantial power supply to operate. To reduce this consumption, CAF uses high-performance coolant and adopts measures to optimise the HVAC conditions on the train. To reduce energy losses due to the transfer of heat between the inside and the outside, the design of our trains seek to minimise their thermal conductivity, thus ensuring highly effective insulation.

Efficient driving

How a train is driven has a huge impact on its energy consumption. Through the train's control system, the performance level required to reduce energy consumption can be calculated in real time, based on the characteristics and duration of the journey. This information allows driving to be optimised from an energy perspective.

In this area, the CAF Group has standout Energy Optimised Train Operation solutions, as follows: the DAS (Driver Advisory system), which helps to ensure that energy consumption is minimised during driving, and the solution that enables Energy Optimised Train Operation - CAF Signalling's AURIGA solution.

CAF Signalling's AURIGA solution implements signalling and automation functions, both for urban lines and mainline routes. On the one hand, it makes it possible to improve the line's capacity and, on the other, it is possible to update route planning in real time, immediately reacting to any unforeseen event or disruption on the line. The ATO-Trackside subsystem is connected to the control centre and all of the trains running on the line. As well as managing the traffic of the trains operating on the line, it allows the movement of all trains to be coordinated by synchronising the acceleration and braking phases, with the aim of recovering the energy that is produced during the braking phases and returning it to the grid for immediate consumption by a train in the acceleration phase. This recovers the energy produced by the regenerative brakes, preventing that energy from being lost. The ATO-Onboard subsystem is responsible for automatically driving the train. The system is capable of calculating and following the optimal driving profile based on the regulation plan (timetables) and track topology, also allowing energy consumption to be minimised and providing comfortable train movement for passengers.

Reducing journey times

CAF's technological developments have introduced new benefits for the overall reduction of the energy consumption of trains. Systems such as the Integrated Intelligent Tilting System (SIBI) make it possible to travel at higher speeds without reducing comfort when rounding bends on the route and to cut journey times by 30%. Additionally, reducing the speed restrictions when travelling on a bend also reduces the need to change the speed of the trains, helping to ensure greater energy efficiency.

● Recyclable and lightweight materials



CAF carefully selects all of the materials it uses in manufacturing, with special focus on their recyclability, because by using them, it avoids using natural resources. Moreover, avoiding using irreversible joints between parts made from different materials facilitates dismantling at the end of the train's service life, thus enabling their subsequent reuse.

The design of the trains is aimed at reducing their mass and weight, an effective way of optimising energy consumption. These parameters are applied to the body structure of the carriages and all of the equipment and additional components, insulation materials, etc. All of this ensures maximum safety standards.

Using more lightweight and stronger materials helps to reduce traction energy consumption. For this reason, the mass of the vehicle is analysed at every stage of the manufacturing process, to ensure that it does not exceed the optimal specified weight.

In new designs, we also seek to strike a balance between maximum transport capacity and user comfort. Energy savings are also possible by preparing large passenger areas and optimising the number of seats per unit.

● Noise and vibration reduction



The main sources of noise on a train are generated by the equipment, wheels and contact with the wind. Apart from the effects on human beings, noise can also have an impact on nature by altering the habitat of animals and ecosystems.

To reduce interior and exterior noise emissions, CAF's technical team carefully analyses what causes them and adapts the most effective measures to minimise them: calculations and preliminary tests, using insulating and absorbing materials, aerodynamic shapes, studies on wheel/track contact and interaction, etc. More specifically, in 2018 CAF finished developing two tools that minimise the wheel noise generated by trains (CRoNoS) and the vibrations that they transmit around them (DARDAR). The first of these, internationally renowned, was presented at the EuroNoise congress in 2018. We have also continued to improve the other prediction tools and methodologies used today, including the modelling of PA systems to ensure the effective broadcasting of messages especially for people with reduced hearing.

5.2 Environmental footprint of operations

[MA 301, 301-1, MA 302, 302-1, 302-3, 302-4, MA 303, 303-1, 303-2, 303-3, MA 305, 305-1, 305-2, 305-4, MA 306, 306-2, MA 307, 307-1]

CAF's commitment to the environment does not stop at developing eco-efficient products; it is incorporated into every aspect of our daily activities.

Therefore, CAF's Board, mindful that performing its industrial activity has an impact on the environment, has included an environmental policy within the company's general policy, incorporating the principle of environmental precaution through the prevention of the environmental impact of all of its activities. It adopts the necessary and economically viable measures to control or minimise emissions into the atmosphere, the generation of waste and the consumption of energy, with the aim of conserving natural resources.

In its biggest manufacturing plants, used for the Vehicle and Bus⁴² operations, there is an Environmental Management System that has been implemented and certified in accordance with standard ISO 14001:2015. During 2018, audits were performed to maintain certificate ISO 14001:2015 in those plants.

The rest of the Group's manufacturing plants are involved in a plan to implement and certify the Group's Environmental Management Model, to be completed in 2020. In 2018 they all performed internal audits to analyse the situation regarding their implementation of the management system. Other subsidiaries such as CAF TE and CAF Signalling have an Environmental Management System that has been implemented and certified in accordance with standard ISO 14001.

Environmental programmes have been established to monitor and improve those management systems, with their respective objectives, actions and indicators. This allows the centres to specifically monitor the environmental aspects of their activity and minimise their impact, with the aim of ensuring continuous improvement.

Furthermore, CAF keeps outside communication channels open, with the authorities and the communities around it.

Below there is a summary outline with the absolute values of the most significant environmental aspects managed during 2018, and a description of the main categories managed, based on the management systems that have been implemented⁴³.

● Consumption of natural resources

Environmental criteria are considered when purchasing materials for use in production processes, with a special focus on selecting reusable and renewable materials.

Most purchases involve materials that have already been processed, i.e. components, with metal the most common element. However, raw materials are also acquired, all renewable, used to manufacture components. Among these, the most highly consumed materials are specifically metal: steel and aluminium profiles and plates (10,221 t) and steel ingots (54,337 t).

In addition to purchasing these materials CAF, S.A. includes materials in its technical processes that help to ensure sustainability. For example, recycled steel is used to manufacture wheels and axles.

Furthermore, a recyclability analysis is performed on the products, in accordance with standard ISO 22628. The average % of recyclability of vehicles manufactured by CAF S.A. is around 92%.

Regarding the purchase and use of chemicals, the CAF Group is within the scope of the REACH Regulation and, in turn, requires its suppliers to comply with it. Furthermore, the suppliers of the

⁴² They represent 90% of the staff belonging to the CAF Group's manufacturing plants.

⁴³ The measurements and results are taken from environmentally significant manufacturing plants, representing 90% of the staff from the CAF Group's manufacturing centres.

equipment installed in our trains are asked to abide by the UNIFE's Railway Industry Substance List (RSIL), which lists the materials and substances which are banned by European and international legislation specifically for the rail industry.

Additionally, information has been provided along the entire supply chain regarding substances, preparations and items that are subject to the REACH Regulation.

● Water and effluents

The Group is aware that, among our natural resources, water is a scarce commodity that must be preserved. Therefore, we have implemented a set of actions with the aim of promoting a more sustainable use of water, including the following:

- Implementing and promoting rational use of water, by installing closed circuits and raising environmental awareness among staff.
- Establishing and monitoring the consumption of all water resources.
- Avoiding collecting water in areas with water stress.
- Performing proper maintenance of the facilities to reduce consumption and our impact.

Water consumption	2018
Mains water consumption (ml)	70,208

With regard to discharges, CAF has the necessary permits to discharge to sewage systems or watercourses, as appropriate. Additionally, the water discharge parameters are checked and monitored, with improvement targets being set.

● Energy

As part of the "Energy Efficiency Strategic Programme", the Group has set the main objectives of promoting renewable energies, reducing the energy used in its activities and promoting environmental policies within the Group and on all rail networks where it operates and collaborates.

Essentially, as a result of the energy audit action plans, the steps to reduce energy consumption on CAF's plants in 2018 were based on:

- Replacing and optimising the operation of key components for energy efficiency in production processes (engines, heat exchangers, fans, etc.).
- Replacing the lights with others that are more eco-efficient.

Additionally, in Solaris Bus & Coach the action plan to reduce energy consumption in 2018 was as follows:

- Replacement of 2 transformers with others with lower losses, with the aim of saving 22,600 kwh/year.
- Replacement of lights with others that are more eco-efficient, with the aim of saving 9,500 kwh/year.

Direct and indirect energy consumption	2018
Natural gas (KWh)	114,631
Diesel (l)	25,173
Electricity (MWh)	51,762
Energy intensity (total energy consumed (KWh/man hours)	47.15
Anticipated reduction in energy consumption based on 2018 plan (Kwh/year)	10,100 ⁴⁴

⁴⁴ Figures for Solaris Bus&Coach

● Emissions

The main source of direct emissions that contribute towards the company's greenhouse gases (GHG) is the emission of CO₂ from energy consumption. Furthermore, our studies to develop more efficient and eco-friendly forms of transport show that the biggest impact during the life cycle of our products happens during the use phase, mostly associated with energy consumption. Therefore, the Group focuses its efforts on gradually reducing the intensity of its GHG emissions by improving the energy efficiency of its production activities and facilities and researching and developing sustainable transport solutions.

Furthermore, year after year, CAF has incorporated systems into the operation of its facilities to take full advantage of the benefits of renewable energies, a clean and green technology, e.g. by using solar panels to generate power. In fact, the Group is planning to give renewable energies a more prominent role in the operation of its factories and facilities.

Furthermore, regarding the emission of Volatile Organic Compounds (VOCs), in 2018 we continued to further reduce the emissions of specific substances (VOCs). To achieve this, the facilities were adapted to use water-based paints in hybrid painting processes and this was established as the standard painting process in the biggest manufacturing facilities of the Vehicles business. Similarly, in the Solaris Bus & Coach plant, changes were made to the painting processes, for the application of corrosion protection.

Emissions	2018
<i>Scope 1:</i> Fuel emissions from the consumption of natural gas (Teq CO ₂)	26,524
<i>Scope 2:</i> Emissions from the consumption of electricity (Teq CO ₂)	14,493
Emission intensity [total emissions of CO ₂ (Teq CO ₂).]	41,017

● Waste

The Group's aim with regard to the management of the waste produced by its activities is to reduce, reuse and recycle it.

For this reason, it has chosen to follow the "circular economy" approach and, since 2017, it has been signed up to the Circular Economy Agreement of the Spanish Ministry of Agriculture, Fisheries, Food and Environment (MAPAMA). Waste is managed according to the following criteria:

- Reducing the waste generated at source, for example: by using returnable tools.
- Maximising the reuse, recycling and recovery of waste.
- Promoting awareness-raising campaigns about sorting and minimising waste.
- Introducing the environmental improvements proposed by workers.
- Proper treatment and management of waste.

It is also worth highlighting the Group's involvement in the manufacture of products with high potential for recycling or reuse. According to the life-cycle analyses carried out for certain products, such as the Urbos 100 Zaragoza and Helsinki Metro, their recyclability and recoverability potential is above 90%.

Waste generated	2018
Hazardous (tons) of which:	861
Recovered	473
To landfill	388
Non-hazardous (tons) of which:	6,980
Recovered	5,838
To landfill	1,142

6

THE SOCIAL VALUE OF OUR ACTIVITY

“CAF is committed to the local, national and international community, developing and promoting initiatives focused on improving the quality of life in those communities where it operates and the environment surrounding its activities. One of CAF's objectives is to be involved with the various communities that it interacts with through its cooperation in the development and support of many public bodies and benchmark public and private institutions.”

*CAF Corporate Social Responsibility Policy
29 December 2015*

6.1

Economic development in the community

6.2

Knowledge generation

6.3

Collaboration in education

6.4

Collaboration with social and/or cultural initiatives

CAF is aware that its activities have a direct and indirect impact on the development of the local communities in which it operates and on the welfare of society in general, through sustainable mobility solutions that are environmentally friendly, as mentioned throughout the report.

CAF is committed to promoting activities that improve the welfare and development of local communities, some of which are inherent to its business activities, such as investing in sustainable transport networks, and others that are part of collaborative and participatory initiatives that fit within one of four areas: the economic environment, knowledge generation, collaboration with educational/training organisations and collaboration with social and cultural initiatives.

In relation to these commitments, in addition to respecting the social, economic, cultural and linguistic environments in which it operates, the following risks have been identified: (i) negative effect of its activities on local communities; (ii) lack of alignment between the CAF Group's social objectives and the different communities; (iii) difficulty in establishing sustainable relationships that will last over time with local communities; (iv) ineffective cooperation with the public authorities and local bodies; (v) lack of respect for social, economic, cultural and linguistic environments.

These risks are integrated into the corporate risk control and management system detailed in chapter two, which provides a sequence of activities aimed solely at their management. This process meets the requirement of completing the analysis of the risks and opportunities of the reference framework.

6.1 Economic development in the community

[102-13, MA 203, 203-2, MA 413]

There is a commitment to the local economy that is embodied at two essential, albeit not unique, levels.

The first of these is reflected in the high-quality jobs generated wherever CAF operates. High-quality jobs mean adequate overall conditions and stable employment. This is evidenced by the percentage of permanent jobs in the CAF Group, which is above 89%. In the same vein, the CAF Group also ensures that men and women start on the same initial wages, by applying Remuneration and Labour Relations Policies in the Group's companies.

Furthermore, it is worth noting that CAF chooses to promote and favour hiring staff in the geographical areas in which it performs its activities. In 2018, 9 out of 10 employees were locals⁴⁵.

For further details, see chapter "4. The excellence of our team".

The second of these relates to the initiatives and specific activities that may affect the economy wherever it operates, helping to add impetus to the growth of the business sector, making it stronger and increasing its reach. On this last point, the CAF Group participates locally and internationally, directly and indirectly boosting economies.

The direct economic impacts that we have on the economy are a consequence of the money flows generated by the Group, e.g. spending on local suppliers. In 2018, the percentage of expenditure made locally was 64%⁴⁶, which indirectly helped to maintain employment among local suppliers.

Furthermore, continuing with the indirect activities, it is worth highlighting the regional collaboration that started 10 years ago, leading to the creation of Goierri Valley, and CAF's involvement in the project as an anchor company and member of the board of directors.

In 2018, we continued with Inter-Cooperation Challenge 1 by participating in various meetings of the Anchor Company Forum and the agreement to launch various initiatives to promote inter-cooperation.



"9 out of 10 workers
are local"

⁴⁵ Includes the available figures for the Group's workers, with local meaning located in the same country.

⁴⁶ Includes the figures for purchases made in the Group's main operations, covering 85% of CAF's staff. For the Bus business, figures have been included since it became part of the Group in September. A supplier is considered local when it is located in the same country.

Additionally, within the Win&Win project, which is part of the same challenge, the Company presented its core strategies aimed at highlighting the needs that can be turned into opportunities for the association's SMEs, took part in joint meetings to identify lines of work and launched specific collaborative initiatives.

- **Created in 2017**
- **33 participating companies**

Vision: to be the driving force behind the industrial transformation of the Goierri region

Aim: to promote the development of industry in the Goierri region by harnessing collaboration between businesses and other public actors in areas concerning its competitiveness (market and product diversification, innovation and training).



CAF is strongly committed to helping to boost the socioeconomic conditions and, for this reason, in 2014 it launched the CAF Ventures initiative, with the aim of collaborating with start-ups. In practical terms, this collaboration has led to open innovation and investment projects.

By carrying out pilot projects, we seek to generate disruptive innovation by harnessing the innovative capacities of the start-up and CAF's industrial expertise and experience in creating new business models. These projects give the start-ups their first references with a major client like CAF and help them in their commercial development and growth process.



In those cases where the synergies between the start-ups and CAF are deep-rooted, stable relationships are established and closer ties are forged. This enables the systematisation of cross-synergies and helps the start-up to consolidate its growth.

With increasing intensity and greater scope, CAF is continuing to participate in important commercial or sectoral activities of organisations from the business world. The following list contains some of the organisations in which it was involved during 2018.

Gipuzkoa Business Association	New Economy Forum
Spanish Confederation of Business Organisations	Aragonés Development Institute
Business Circle	MAFEX Spanish Rail Association
Exporters' Club	Union Internationale des Transports Publics - UITP
EUSKALIT Basque Foundation for Quality Development	European Rail Supply Association - UNIFE
Zaragoza Metal Federation	Electric Vehicles Promotion Foundation

Within these organisations, CAF seeks to represent the interests of the company, while also using its position and drive to contribute elements for the general benefit of all.

6.2 Knowledge generation

[102-13, MA 203, 203-2, MA 413]

As in previous years, CAF is continuing to collaborate to generate knowledge in the communities where it operates. In 2018, CAF continued with various ongoing initiatives, which can be divided into three categories:



There is a list of some of the activities in this area below.

● Decision-Making or Steering Bodies of Technology Centres

CEIT – IK4

CAF collaborates with this technology centre, which conducts applied research for industry. CAF is a member of CEIT-IK4's board of trustees and takes part in its governing bodies as a member of its Strategic Council.

CiC Nanogune

CAF works closely with CiC Nanogune, a centre focused on researching excellence in nanoscience and nanotechnology, sitting as a member of its board of directors.

Lortek – IK4

IK4-Lortek is an innovative research centre with extensive expertise in joining technologies. CAF collaborates with Lortek – IK4 as a member of its board of trustees.

Tecnalia

CAF is a collaborative partner of the TECNALIA RESEARCH & INNOVATION foundation, a large-scale technology centre with a multidisciplinary approach, and it is also a member of its board of trustees and sits on its executive committee.



● Collaboration for knowledge development

CAF -Tecnun - CEIT Rail Laboratories

CAF's partnership with the CEIT technology centre and Tecnun Engineering School, both on the University of Navarra's campus in San Sebastian, has been ongoing for decades, resulting in activities such as the development of joint research projects and jointly organising courses and seminars or teaching assignments. On this latter point, it is worth noting the ongoing presence of CAF engineers among Tecnun's teaching staff.

In June 2001, the first framework collaboration agreement was signed by the three entities - and continually extended since - with the aim of expanding the technological knowledge of the entities involved and improving the preparation of future engineers by establishing the Rail Laboratory. This initiative has been used to coordinate applied research projects, final projects and doctoral theses and adequate facilities and equipment have been maintained to generate rail-related knowledge.



CAF Classroom - Mondragon Unibertsitatea (MU)

For several years, CAF has had an ongoing collaboration agreement with the Mondragón Higher Polytechnic School, in the form of a collaborative research and knowledge transfer programme.

Collaboration on the design of teaching programmes, participation in teaching and the evaluation of project definition and the design of work experience programmes are included within this framework. The whole aim is to ensure that there are relevant studies that are aligned with the actual needs of society, to improve the knowledge and professional skills of the students and, ultimately, to promote the transfer of knowledge.

The Classroom has suitable facilities and equipment to perform these functions.



Boards of Cooperative Educational Services of New York

In the United States CAF USA collaborates with the organisation “Boards of Cooperative Educational Services of New York” to identify the changing training needs and develop professional skills.



AGH University of Science and Technology of Krakow

In Poland it is worth highlighting the doctoral thesis that is jointly run by Solaris Bus & Coach and AGH University of Science and Technology of Krakow, which seeks to create conditions for cooperation between the scientific and socioeconomic communities, enabling several employees to complete their doctoral thesis through a tri-party agreement between them, the university and the company.



● Participation in innovation-oriented public or private bodies

Shift2Rail

Shift2Rail is the first European rail initiative focused on R&D activities and seeking market-driven solutions by accelerating the integration of advanced technologies into innovative rail products.

CAF is a founder member of Shift2Rail and sits on its board of directors.



European rail research advisory council (ERRAC)

This is the European technology platform for the rail industry. The European Commission, member states, European Rail Agency (ERA) and all major players in the rail sector take part in this platform, including industry, infrastructure managers, technology centres and universities. The main objective of the ERRAC is to provide the European institutions with a joint vision to guide R&D in the rail sector.

CAF actively participates in the ERRAC’s working groups and is also a member of the initiative’s steering committee.



Innobasque

Innobasque is a private, non-profit association that brings together civil society, businesses, scientific and technological actors and the government to promote innovation in the Basque Country, with the following focuses; 1) acting as a driver of social and economic change, to move towards a sustainable Basque Country, 2) building innovative solutions to overcome major challenges, 3) working collaboratively, forging new social ties and generating collaborative models to transform society.

CAF is a member of the board of directors of the Innobasque initiative.





Fik

This is a private interdisciplinary scientific and technological development initiative, headed by the Tecnalia technology centre, focusing on ageing and functional diversity, which ultimately aims to bring about products and/or services that help to maximise the personal autonomy, independence, health and quality of life of elderly and functionally diverse people. CAF participates as a partner.

Bind 4.0 (Basque Industry 4.0)

Bind 4.0 is a public/private programme whose main aim is to attract and accelerate start-ups, promoted by the Basque Government through the SPRI development agency. Within this programme, CAF has collaborated with various start-ups in areas such as augmented reality, virtual reality, the internet of things and 3D printing. CAF collaborates with this initiative as a founder member.

Foundation for the Development of New Hydrogen Technologies in Aragón

This foundation promotes the development of new hydrogen technologies and, as such, it organises, manages and implements numerous types of activities related to hydrogen as an energy vector, with the aim of generating, storing and transporting hydrogen for use in fuel cells, transport and distributed power generation. CAF is a member of the Board of Trustees.

Hydrogen Europe (NEW – IG)

A leading association that represents the European industry, national associations and active research centres in the hydrogen and fuel cell industry, working to accelerate the market introduction of this clean technology in the energy and transport sectors. The CAF Group's Solaris Bus & Coach is a member of this association.

Donostia International Physics Center

CAF collaborates with this centre, devoted to scientific research in the field of basic and applied physics, in areas that serve the interests of Basque society and international scientific development. CAF is a founder member of the Board of Trustees.



6.3 Collaboration in education

[102-13, MA 203, 203-2, MA 413]

CAF is committed to the training of future professionals, for which purpose it has established a series of collaboration agreements with educational institutions or organisations, to promote youth employment in the areas in which it operates.

Educational entities and entities that promote employment

Domestic

- | | |
|--|--|
| <ul style="list-style-type: none"> - Alecop - San Valero School - Zaragoza University Enterprise Foundation - Novia Salcedo Foundation - University Enterprise Foundation - Goierri Eskola - National Institute of Stock Market Studies - Lanbide - Carlos III University - CEU University - Complutense University | <ul style="list-style-type: none"> - Deusto University - La Almunia University - Mondragón University - University of Navarra (Tecnun) - Zaragoza University - University of the Basque Country - National University of Distance Education (UNED) - Polytechnic University of Madrid - Pontificia de Comillas University - Navarra Public University (UPNA) |
|--|--|

International

- | | |
|--|---|
| <ul style="list-style-type: none"> - Coventry University - EJMEX (technical training and education centre) - Leeds Beckett University - Leeds College of Building - Lincoln College - New College Nottingham - Nottingham Trent University - Poznań University of Technology | <ul style="list-style-type: none"> - The Centre for Craft Support, Dual and Vocational Training in Poznań - Valle de México University - University of Bolton - University of Derby - Tláhuac Technological University - Vocational School in Murowana Goślina and Swarzędz |
|--|---|

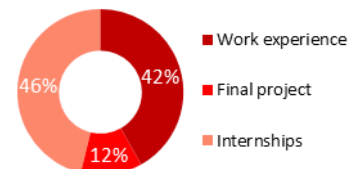
These collaboration agreements allow us to provide access to training programmes for CAF's staff, but the main aim is to offer opportunities to make the transition between training and the labour market, through study visits at various facilities of the CAF Group, both local and international.

With this aim, in 2018 we offered over 180 study visits to enable students to complete their studies through internships, carrying out their final year projects for bachelor's and master's degrees, and post-graduate activities, thus giving them initial work experience combined with training. Both the parent company and some of the Group's subsidiaries collaborate with the Novia Salcedo Foundation to support young people in their professional integration, with a forward-looking, collaborative approach.

In the same area, for the first time in 2018, students of dual vocational training were integrated by CAF S.A. and various subsidiaries of the Group. This programme allows students to immediately put what they have learnt in their training centre into practice in a real working environment, while at the same time helping to reduce youth unemployment and adapting the workforce to ensure greater productivity and giving them greater motivation and affinity with the company.

Along the same lines, we continue promoting the option to complete doctoral theses on innovative topics or applications associated with the CAF Group's activities (e.g. University of the Basque Country, University of Navarra and Deusto University).

“Over 180 internships”



● Internationalisation grant programmes

CAF has a strong commitment to internationalisation and is aware of the need to have people with an international profile. We believe it is important to promote this type of profile in society and, for that reason, CAF works together with public bodies such as the Foreign Trade Institute (ICEX) and the Basque Government in their internationalisation grant programmes, with internships in various CAF facilities abroad in 2018.

ICEX Grants

The aim of these grants is to train young professionals who specialise in providing business internationalisation services. These grants offer an outstanding opportunity to receive strong, theoretical training in international trade and specialised practical training in the various offices of the Ministry of Trade's Foreign Network, in Spanish companies with international operations or in international institutions.

Basque Government Global Training Grants

This programme offers young people with university degrees and advanced vocational training a powerful mechanism that allows them to participate in paid internships in companies and agencies abroad, in activities and projects related to their academic and professional profile, for at least 6 months.

Basque Government Internationalisation Grants

The purpose of this programme is to provide training on internationalisation for university graduates so that, in the future, Basque companies and other entities will have a base of professionals who allow them to effectively meet the challenges of the open economy.

Over the course of 2018, there were internships in CAF's centres in countries such as Sweden, Finland, Holland, France, English, Chile, Mexico, Hungary and Saudi Arabia, among others.

In this regard, it is also common for students from various educational institutions to visit CAF's plants to learn about the general activities performed there, or certain specific activities.

6.4 Collaboration with social and/or cultural initiatives

[102-13, MA 203, 203-2, MA 413]

In addition to all of the above initiatives, CAF collaborates with other public and/or private bodies to support social, knowledge-related and cultural projects that have a positive impact on their local communities.

Below, we have detailed some of the institutions with which CAF actively collaborated during 2018, assisting their development.

Elhuyar Foundation

Every year, together with the Elhuyar Foundation, CAF presents the CAF-Elhuyar Award to promote scientific culture in the Basque Country. The aim of these awards is to promote, reward and recognise the publication of scientific and technological papers in the Basque language.



SuEskola Foundation

CAF collaborates with this foundation, a centre for fire prevention and firefighting that uses innovative technology with real fire.



Green Dachshund Foundation

A foundation created in 2012 by Solaris Bus&Coach to help the most vulnerable among us. Its aim is to help vulnerable people and animals in the company's local community by implementing support programmes for children and young people, disseminating a culture of animal protection and promoting the volunteering services by involving employees and external stakeholders.



CAF also performs sponsorship activities, mainly locally, including the sponsorship of events and trade fairs associated with the sectors in which it operates and sporting activities (fun runs, cycling, chess, etc.), and promoting cultural and exhibition spaces.

Finally, among all of these activities, we encourage people to use the Basque language in our work centres in Beasain and Irún, for which they can obtain a Bikain certificate in the Silver category. This certificate rewards high-quality management of the Basque language in a professional environment.

7

ADDITIONAL INFORMATION

“Transparency of the information provided to the various stakeholder groups, transmitting relevant and accurate information about CAF's activities and results and complying with the existing legal requirements for public information.”.

*CAF Corporate Social Responsibility Policy
29 December 2015*

7.1

About this report

7.2

GRI Content Index

7.1 About this report

[MA 102-50, 102-52, 102-53, 102-54]

CAF's Corporate Social Responsibility (CSR) Report is one of our main communication tools in this area and for our Stakeholders.

● Scope

This report relates to the period between 1 January and 31 December 2018 and it is the third annual document specifically related to Corporate Social Responsibility to be published by CAF.

The information provided herein covers CAF's Group-wide activities. Where there are limitations in terms of the scope, coverage or other aspects of the information, we have included the necessary specifications in the relevant chapter or in the GRI Content Index. Such information has been omitted because the content is not appropriate, as it is not deemed to be material or because we do not currently have information of sufficient quality to be included in the report, in which case we are working to improve it.

Furthermore, this report is supported by other reports which provide more specific information on certain matters, such as CAF's Consolidated Annual Accounts for the year ending on 31 December 2018 which, in this case, provides further information regarding financial matters; or the 2018 Annual Corporate Governance Report, which more closely examines issues related to CAF's Corporate Governance Model.

● International standards applied to draft this report

This report has been prepared in accordance with the GRI Standards: Core option

● Important issues and participation of stakeholders

CAF maintains an open dialogue with all stakeholders to identify and address any issues concerning them. In this regard, when drafting this report, we have taken into consideration the materiality assessment performed to identify the most important issues to be addressed.

If you have any doubts, questions or suggestions regarding this report or the matters detailed herein, contact us at:

rsc@caf.net

7.2 GRI Content Index

[102-55]

GRI STANDARD	CONTENT TITLE	REFERENCE	PAGE	NOTE ⁴⁷
UNIVERSAL STANDARDS (2016)				
ORGANISATION PROFILE				
GRI 102-1	Name of the organisation	Construcciones y Auxiliar de Ferrocarriles, S.A.	68	(1)
GRI 102-2	Activities, brands, products and services	2018 Management Report on the Consolidated Group	Industrial Activity	(1)
GRI 102-3	Location of headquarters	Calle José Miguel Iturriz, 26. 20.200 Beasain (Guipúzcoa), Spain.	68	(1)
GRI 102-4	Location of operations	3.1 Excellence in client relations	25	(1)
		2018 Management Report on the Consolidated Group	Commercial Activity	(1)
		2018 Annual Corporate Governance Report	Section A.	(1)
GRI 102-5	Ownership and legal form	2018 Annual Accounts of the Consolidated Group	Note 14 a) of the Report	(1)
GRI 102-6	Markets served	3.1 Excellence in client relations	25	(1)
		2018 Management Report on the Consolidated Group	Commercial Activity	(1)
		4.1 The value of our human capital	36 - 37	(1)
GRI 102-7	Scale of the organisation	Annual Report 2017	Letter from the CEO	(1)
		2018 Management Report on the Consolidated Group	Industrial Activity	(1)
		2018 Management Report on the Consolidated Group	Human Resources	(1)
		2018 Management Report on the Consolidated Group	Human Resources	(1)
GRI 102-8	Information on employees and other workers	4.1 The value of our human capital	36 - 38	(1)
GRI 102-9	Supply chain	3.5 Responsible supply chain	31	(1)
GRI 102-10	Significant changes to the organisation and its supply chain	2018 Annual Accounts of the Consolidated Group	Note 2 F, Note 9 and Note 14a) of the Report	(1)
GRI 102-11	Precautionary principle or approach	5.2 Environmental footprint of operations	54	(1)
		2018 Annual Corporate Governance Report	Section E.	(1)
		2018 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
GRI 102-12	External initiatives	6. The social value of our activity	58	(1)
GRI 102-13	Membership of associations	6. The social value of our activity	58 - 65	(1)
STRATEGY				
GRI 102-14	Statement from senior decision-maker	Annual Report 2017	Letter from the CEO	(1)
GRI 102-15	Key impacts, risks and opportunities	2.2 Risk management.	16, 25, 32, 35, 49, 58	(1)
		2018 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
		Annual Report 2017	Letter from the CEO	(1)
		2018 Annual Corporate Governance Report	Section E.3	(1)
		2018 Management Report on the Consolidated Group	CAF Group and Outlo	(1)
ETHICS AND INTEGRITY				
GRI 102-16	Values, principles, standards and norms of behaviour	1.1 CAF's global vision and CSR	5 - 7	(1)
		2.3 Business ethics and prevention of fraud and corruption	17 - 20	(1)
		2.4 Tax responsibilities	21 - 22	(1)
		2018 Annual Corporate Governance Report	Section F.1.2	(1)
GRI 102-17	Mechanisms for advice and concerns about ethics	2.3 Business ethics and prevention of fraud and corruption	19	(1)
		7.1 About this report	67	(1)
		2018 Annual Corporate Governance Report	Section F.1.2	(1)
GOVERNANCE				
GRI 102-18	Governance structure	2018 Annual Corporate Governance Report	Section C	(1)
GRI 102-22	Composition of the highest governance body and its committees	2018 Annual Corporate Governance Report	Section C	(1)
		2.1 Corporate Governance System and Regulatory Compliance	13 -15	(1)
GRI 102-23	Chair of the highest governance body	2018 Annual Corporate Governance Report	Section C	(1)
GRI 102-24	Nominating and selecting the highest governance body	2.1 Corporate Governance System and Regulatory Compliance	13 - 15	(1)

⁴⁷ (1): Scope of CAF Group

(2): Scope specified in the report

		2018 Annual Corporate Governance Report	Sections C.1.5, C.1.6, C.1.6 bis, C.1.19	(1)
GRI 102-25	Conflicts of interest	2.1 Corporate Governance System and Regulatory Compliance	13	(1)
		2018 Annual Corporate Governance Report	Sections C.1.5, C.1.6, C.1.6 bis, C.1.19.	(1)
GRI 102-29	Identifying and managing economic, environmental and social impacts	2018 Annual Corporate Governance Report	Section E.6	(1)
		2018 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
GRI 102-30	Effectiveness of risk management processes	2.1 Corporate Governance System and Regulatory Compliance	14	(1)
		2018 Annual Corporate Governance Report	Section E.6	(1)
GRI 102-31	Review of economic, environmental and social topics	2018 Annual Corporate Governance Report	Section E.6	(1)
		2018 Management Report on the Consolidated Group	Main risks and uncertainties	(1)
		General Risk Control and Management Policy	Sections 3, 4, 5 and 8	(1)
		4.1 The value of our human capital	38	(1)
GRI 102-35	Remuneration policies	Director Remuneration Policy of "Construcciones y Auxiliar De Ferrocarriles, S.A."		(1)
		2018 Annual Corporate Governance Report	Sections C.1.13, C.1.14, C.2.1.	(1)
		2018 Annual Report on the Remuneration of Directors of Listed Limited Companies		(1)
		4.1 The value of our human capital	39	(1)
GRI 102-36	Process for determining remuneration	2018 Annual Corporate Governance Report	Sections C.1.13, C.1.14, C.2.1.	(1)
		2018 Annual Report on the Remuneration of Directors of Listed Limited Companies		(1)
STAKEHOLDER ENGAGEMENT				
GRI 102-40	List of stakeholders groups	1.2 Our relationship with our stakeholders	7 - 8	(1)
GRI 102-41	Collective bargaining agreements	4.1 The value of our human capital	35	(2)
GRI 102-42	Identifying and selecting stakeholders	1.2 Our relationship with our stakeholders	7 - 8	(1)
GRI 102-43	Approach to stakeholder engagement	1.2 Our relationship with our stakeholders	7 - 8	(1)
GRI 102-44	Key topics and concerns raised	1.2 Our relationship with our stakeholders + 7.1 About this report	7 - 8, 67	(1)
REPORTING PRACTICE				
GRI 102-45	Entities included in the consolidated financial statements	2018 Annual Accounts of the Consolidated Group	Note 2 F and Note 9 of the Report.	(1)
GRI 102-46	Defining report content and topic boundaries	1.3 Materiality	8 - 9	(1)
GRI 102-47	List of material topics	1.3 Materiality	8 - 9	(1)
GRI 102-48	Restatement of information	Not applicable.	69	(1)
GRI 102-49	Changes in reporting	1.1 CAF's global vision and CSR. The scope of each indicator and all information reported has been included	5 - 6	(1)
GRI 102-50	Reporting period	7.1 About this report	67	(1)
GRI 102-51	Date of most recent report	2017 CSR Report; February 2018	69	(1)
GRI 102-52	Reporting cycle	7.1 About this report	67	(1)
GRI 102-53	Contact point for questions regarding the report	7.1 About this report	67	(1)
GRI 102-54	Claims of reporting in accordance with GRI Standards	7.1 About this report	67	(1)
GRI 102-55	GRI Content Index	7.2 GRI Content Index	68	(1)
GRI 102-56	External assurance	No external verification has been carried out other than that relating to the Non-Financial Reporting included in the 2018 Corporate Management Report.	70	(1)
TOPIC - SPECIFIC STANDARDS				
CATEGORY: ECONOMIC				
Economic performance (2016)				
GRI 103	Management approach	1.3 Materiality + 2018 Management Report on the Consolidated Group	9, Business performance and	(1)

			results	
GRI 201-2	Financial implications and other risks and opportunities due to climate change	5.1 Sustainable mobility and eco-efficient products	48	(1)
GRI 201-3	Defined benefit plan obligations and other retirement plans	2018 Annual Accounts of the Consolidated Group	Note 3J, Note 15 and Note 20 of the Report.	(1)
GRI 201-4	Financial assistance received from the government	2018 Annual Accounts of the Consolidated Group	Note 15 and Note 22 D of the Report.	(1)
Market presence (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 41	(1)
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The wages of all CAF employees are determined according to the collective agreements in force and the applicable provisions on remuneration in each of them; they are always above the minimum stipulated by law and equal treatment is assured by setting wage conditions without considering gender.	70	(1)
Indirect economic impacts (2016)				
GRI 103	Management approach	1.3 Materiality + 6. The social value of our activity	9, 58	(1)
GRI 203-2	Significant indirect economic impacts	6. The social value of our activity	58 - 65	(1)
Procurement practices (2016)				
GRI 103	Management approach	1.3 Materiality + 3.5 Responsible supply chain	9, 31-33	(2)
GRI 204-1	Proportion of spending on local suppliers	3.5 Responsible supply chain	31	(2)
Anti-corruption (2016)				
GRI 103	Management approach	1.3 Materiality + 2.3 Business ethics and prevention of fraud and corruption	9, 17-20	(1)
GRI 205-2	Communication and training on anti-corruption policies and procedures	2.3 Business ethics and prevention of fraud and corruption	19	(1)
		2018 Annual Corporate Governance Report	Section F.1.2	(1)
Anti-competitive behaviour (2016)				
GRI 103	Management approach	1.3 Materiality + 2.3 Business ethics and prevention of fraud and corruption	9, 17	(1)
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2018 Annual Accounts of the Consolidated Group	Note 20 and Note 26 of the Report.	(1)
CATEGORY: ENVIRONMENTAL				
Materials (2016)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 48, 54 - 56	(2)
GRI 301-1	Materials used by weight or volume	5.2 Environmental footprint of operations	54 - 55	(2)
Energy (2016)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 48, 54 - 56	(2)
GRI 302-1	Energy consumption within the organisation	5.2 Environmental footprint of operations	54	(2)
GRI 302-3	Energy intensity	5.2 Environmental footprint of operations	54	(2)
GRI 302-4	Reduction of energy consumption	5.2 Environmental footprint of operations	54	(2)
Water and effluents (2018)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 48, 54 - 56	(2)
GRI 303-1	Interaction with water as a shared resource	5.2 Environmental footprint of operations	54	(2)
GRI 303-2	Management of water discharge-related impacts	5.2 Environmental footprint of operations	54	(2)
GRI 303-3	Water withdrawal	5.2 Environmental footprint of operations	54	(2)
Emissions (2016)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 48, 54 - 56	(2)
GRI 305-1	Direct GHG emissions (scope 1)	5.2 Environmental footprint of operations	55	(2)
GRI 305-2	Energy indirect GHG emissions (scope 2)	5.2 Environmental footprint of operations	55	(2)
GRI 305-4	GHG emissions intensity	5.2 Environmental footprint of operations	55	(2)
Waste (2016)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 49, 54 - 56	(2)
GRI 306-2	Waste by type and disposal method	5.2 Environmental footprint of operations	56	(2)

GRI 306-3	Significant spills	No significant spills have been identified	71	(2)
Environmental compliance (2016)				
GRI 103	Management approach	1.3 Materiality + 5.2 Environmental footprint of operations	9, 49	(1)
GRI 307-1	Non-compliance with environmental laws and regulations	5.2 Environmental footprint of operations 2018 Annual Accounts of the Consolidated Group	49 Note 22 C of the Report	(1)
Supplier environmental assessment (2016)				
GRI 103	Management approach	1.3 Materiality + 3.5 Responsible supply chain	9, 31-33	(2)
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	3.5 Responsible supply chain	32	(2)
CATEGORY: SOCIAL				
Employment (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 35 - 43	(1)
GRI 401-1	New employee hires and employee turnover	4.1 The value of our human capital	38	(1)
GRI 401-2	Benefits provided to full-time employees that are not provided to part-time or temporary employees	4.1 The value of our human capital	40	(1)
Labour/management relations (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 35 - 36	(1)
GRI 402-1	Minimum notice periods regarding operational changes	We comply with the provisions of the applicable collective agreement and, subsidiarily, the respective local laws	71	(1)
Occupational health and safety (2018)				
GRI 103	Management approach	1.3 Materiality + 4.3 Occupational risk prevention	9, 44 - 47	(1)
GRI 403-1	Occupational health and safety management system	4.3 Occupational risk prevention	44 - 47	(2)
GRI 403-2	Hazard identification, risk assessment, and incident investigation	4.3 Occupational risk prevention	44 - 47	(2)
GRI 403-3	Occupational health services	4.3 Occupational risk prevention	45	(2)
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	4.3 Occupational risk prevention	45	(2)
GRI 403-5	Worker training on occupational health and safety	4.3 Occupational risk prevention	46	(2)
GRI 403-6	Promoting worker health	4.3 Occupational risk prevention	47	(2)
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.3 Occupational risk prevention	46	(2)
GRI 403-9	Work-related injuries	4.3 Occupational risk prevention	46	(1)
Training and education (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 40-41	(1)
GRI 404-1	Average hours of training per year per employee	4.1 The value of our human capital	40	(2)
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	4.1 The value of our human capital	40	(2)
Diversity and equal opportunity (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 41 - 42	(1)
GRI 405-1	Diversity in governance bodies and employees	4.1 The value of our human capital 2018 Annual Corporate Governance Report	37 - 38 and 41 - 42 Section C	(1)
Non-discrimination (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 41 - 42	(1)
GRI 406-1	Incidents of discrimination and corrective actions taken	No cases of this kind have been detected.	71	(1)
Freedom of association and collective bargaining (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 43	(1)
GRI 407-1	Operations and suppliers in which the right to freedom of	No significant centres or suppliers have been identified that are affected in this regard.	71	(1)

	association and collective bargaining may be at risk			
Child labour (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 43	(1)
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	No significant centres or suppliers have been identified that are affected in this regard.	72	(1)
Forced or compulsory labour (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 43	(1)
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No centres or suppliers have been identified with a significant risk in this regard.	72	(1)
Rights of indigenous peoples (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 43	(1)
GRI 411-1	Incidents of violations involving rights of indigenous peoples	No cases of this kind have been detected.	72	(1)
Human rights assessment (2016)				
GRI 103	Management approach	1.3 Materiality + 4.1 The value of our human capital	9, 43	(1)
GRI 412-2	Employee training on human rights policies or procedures	4.1 The value of our human capital	43	(1)
Local communities (2016)				
GRI 103	Management approach	1.3 Materiality + 6. The social value of our activity	9, 58	(1)
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	No centres have been identified with operations with significant negative impacts in this regard.	72	(1)
Supplier social assessment (2016)				
GRI 103	Management approach	1.3 Materiality + 3.5 Responsible supply chain	9, 31-33	(2)
GRI 414-2	Negative social impacts in the supply chain and actions taken	3.5 Responsible supply chain	32	(2)
Public policy (2016)				
GRI 103	Management approach	1.3 Materiality + 2.3 Business ethics and prevention of fraud and corruption	9, 17	(1)
GRI 415-1	Political contributions	CAF is a company with a neutral position regarding political parties	72	(1)
Customer health and safety (2016)				
GRI 103	Management approach	1.3 Materiality + 3.1 Excellence in client relations + 3.2 Product safety + 3.4 Guarantee of supply	9, 24 -28, 31	(1)
GRI 416-1	Assessment of the health and safety impacts of product and service categories	3.2 Product safety	28	(1)
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents have been detected in this regard.	72	(1)
Marketing and labelling (2016)				
GRI 103	Management approach	1.3 Materiality + 3.1 Excellence in client relations + 3.2 Product safety	9, 24-28	(1)
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	No significant incidents have been detected in this regard.	72	(1)
GRI 417-3	Incidents of non-compliance concerning marketing communications	No significant incidents have been detected in this regard.	72	(1)
Customer privacy (2016)				
GRI 103	Management approach	1.3 Materiality + 2.1 Corporate Governance System and Regulatory Compliance + 3.1 Excellence in client relations	9, 11-16, 24-28	(1)
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No significant incidents have been detected in this regard.	72	(1)
Socioeconomic compliance (2016)				
GRI 103	Management approach	1.3 Materiality + 2.1 Corporate Governance System and Regulatory Compliance	9, 11-22	(1)
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	2018 Annual Accounts of the Consolidated Group	Note 20 and Note 26 of the Report.	(1)

