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## **REPORT ON THE OPERATION OF THE AUDIT COMMITTEE OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (CAF) FOR FY 2020**

### **1. Report purpose**

In accordance with the provisions of Article 3, vi, e) of the Regulations of the Audit Committee (hereinafter the “**Audit Committee**” or the “**Committee**”) of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. (hereinafter “**CAF**” or the “**Company**”), this Committee is responsible for issuing, on an annual basis, a report on the operation and activities of the Committee during the previous financial year.

The purpose of this report is to inform shareholders and other stakeholders of the activities carried out by the Committee during the financial year that ended on December 31, 2020, for which purpose it will be published in accordance with Recommendation 6 of the CNMV's Code of Good Governance for Listed Companies (hereinafter the “**Code of Good Governance**” or “**CGG**”) and will contain at least the aspects defined in the CNMV's Technical Guide 3/2017 on Audit Committees of Public Interest Entities.

### **2. Regulations for the Audit Committee**

The Audit Committee has a basic regulation in Article 37 bis of the CAF Bylaws, which includes the minimum composition of the Committee, which must be three directors, all of whom are non-executive, the majority of whom, at least, must be independent. This article also provides for the minimum functions assigned to it by the Bylaws, although these functions are complemented by those assigned to it by the regulations, which we will refer to below.

CAF's Bylaws also state that the Chairperson of the Committee shall be appointed from among the independent members of the Board for a maximum term of four years, and may be re-elected after one year has elapsed since their removal, and that resolutions shall be adopted by an absolute majority of the directors present. As with the functions, this basic Bylaw regulation on the composition and operating rules of the Audit Committee is also supplemented by regulations.

The Audit Committee has its own Regulations, which determine in detail the most relevant aspects of the Committee, including its nature, composition, functions and scope of application, operating rules, powers and relations with third parties.

In light of the partial amendment of the CGG approved last June, and CNMV Notice 1/2020 of October 6, according to which listed companies must adapt their regulations and corporate policies to said revision before the close of FY 2020 in order to be able to consider the amended recommendations in the 2020 Annual Corporate

Governance Report as complied with, the Board of Directors, during its meeting on December 17 and upon the proposal of the Audit Committee, approved the amendment of its Regulations, with the main purposes below:

- i. To adapt its contents to the Recommendations amended in the partial amendment of the CGG. In particular, to adapt the description of the Committee's functions to the wording of the new Recommendation 42 on the mandatory functions of Audit Committees. Among other changes, this Recommendation reinforces the specialization of this Committee in relation to the supervision of information and control of financial and non-financial risks, and extends the requirements in matters such as the whistle-blowing channel that the Company must make available to employees and other stakeholders, guaranteeing its confidentiality, as well as admitting anonymous notifications in certain cases.
- ii. To include certain provisions of the CNMV's Technical Guide 3/2017 on Audit Committees (hereinafter the "Technical Guide") in the Regulations, which the Company in fact complies with.
- iii. To include some technical improvements.

Thus, the Regulations of the Audit Committee strictly comply with both the legally established assignment of functions and the functions specifically assigned to this Committee by the new Recommendation 42 of the Code of Good Governance.

### 3. Composition of the Audit Committee during the financial year

At December 31, 2020, the composition of the Audit Committee is as shown in the table below:

<i>Person</i>	<i>Position</i>	<i>Category</i>	<i>Seniority</i>
Ms. Carmen Allo Perez	Chairperson	Independent	Appointed Director on 6/11/2016. Member of the Committee since 2/27/2019. She has been Chairwoman of the Committee since October 8, 2019.
Mr. Javier Martínez Ojinaga	Member	Independent	Appointed Director on 06/13/2015. Member of the Committee since 10/28/2015.
Mr. Juan José Arrieta Sodupe	Member	Independent	Appointed Director on 6/7/2008. Member of the Committee since 10/20/2010.

Nearing the expiry of her term, due to the expiry of the four-year term of her appointment, Ms. Carmen Allo was re-elected as a Director for another four-year term, by resolution of the Ordinary General Meeting held on June 13, 2020. She therefore continues to hold the position of Chairperson of the Committee, in accordance with the provisions of Section 6 of Article 2 of the Committee's Regulations.

The members of the Committee, as members of the Board, have experience and knowledge in management, economic, financial and business fields. As a whole, they

have the relevant technical knowledge in relation to the sector of activity to which the Company belongs, as well as in aspects of internal control and risk management and of the business.

All the members, and especially the Chairperson of the Committee, have been appointed on the basis of their knowledge and experience in the field of accounting, auditing and risk management, both financial and non-financial.

This complies with the provisions of Article 529 quaterdecies of the Revised Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of July 2 (“LSC”), in the internal regulations and in the new Recommendation 39 of the Code of Good Governance, regarding the composition of the Audit Committee. The guidelines set out in points 13 and 14 of Technical Guide 3/2017 of the CNMV on the subject are also followed.

The appointment and removal of Committee members is made by the Board of Directors. They are appointed for a period of four years, subject to renewal, and are expected to be removed (i) by resignation, (ii) when they cease to be directors, (iii) by resolution of the Board, or (iv) due to failure to comply with the requirements of the Regulations or the legal provisions.

In the “Shareholders and Investors” section of CAF's corporate website, up-to-date information regarding the composition of the Audit Committee (<http://www.caf.net/es/accionistas-inversores/gobierno-corporativo/comisiones-consejo.php>) and public information on each of the directors ([https://www.caf.net/pdf/informacion-publica-consejeros-junio-2020-es\\_v2.pdf](https://www.caf.net/pdf/informacion-publica-consejeros-junio-2020-es_v2.pdf)) can be found. The professional profiles of the current members of the Committee are as follows:

- Ms. Carmen Allo Pérez (Chairperson) holds a degree in Exact Sciences and a Master’s degree in Business Administration. She has extensive experience in the financial sector. She is the Chairperson of the Audit Committee of eDreams ODIGEO.
- Mr. Javier Martínez Ojinaga (Member) is an economist. He has spent his professional career in leading companies in the electricity sector as well as in project management and *interim management*.
- Mr. Juan José Arrieta Sudupe (Member) has a PhD of Economic and Business Sciences. He has extensive experience in the management of financial institutions and prestigious business schools.

#### **4. Functions and tasks performed throughout the financial year by the Audit Committee, changes thereto and reference to the regulations governing it**

The functions and powers attributed to the Audit Committee are detailed in Articles 37 bis of the Bylaws and in Articles 3 and 10 of its specific Regulations.

In accordance with the aforementioned Article 3, the Audit Committee has been assigned the following minimum powers:

- a) In relation to the General Meeting:
- i. To inform the General Shareholders' Meeting about any matters raised that are under the Committee's responsibility, and in particular, regarding the results of the audit, explaining how this contributed to the integrity of the financial information and the role played by the Committee in this process.
  - ii. To ensure that the annual accounts presented by the Board of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In the event that the auditor has included a qualification in his audit report, the Chairperson of the Committee will clearly explain the Committee's opinion on its content and scope at the General Meeting. A summary of this opinion will also be made available to shareholders at the time of publication of the notice of the meeting, along with the other proposals and reports of the Board.
- b) In relation to the internal control systems:
- i. To supervise the preparation process, presentation, and the integrity of the financial and non-financial information in relation to the Company and, if applicable, the group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the accounting criteria, and submit recommendations or proposals to the Board of Directors, aimed at safeguarding their integrity.
  - ii. To supervise the effectiveness of the company's internal controls and in particular the Internal Control System for Financial Information (SCIIF).
  - iii. To supervise and evaluate the control and management systems for financial and non-financial risks relating to the Company and, where applicable, to the group, including operational, technological, legal, social, environmental, political and reputational risks or risks related to corruption.  
  
For the purposes of sections i. to iii. above, the Committee may, if appropriate, submit recommendations or proposals to the Board of Directors and the corresponding period of time for their follow-up.
  - iv. Supervising the Company's internal risk control and management system.
  - v. To ensure in general that the policies and systems established for internal control are effectively implemented in practice.
  - vi. To supervise compliance with the Company's internal codes of conduct.

- vii. To establish and supervise a mechanism that allows employees and other people related to the Company and its Group such as directors, shareholders, suppliers, contractors or subcontractors to communicate potentially significant irregularities, including financial and accounting irregularities, or any other kind of irregularity related to the company that they may notice within the Company or its Group. This mechanism should guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of the whistleblower and the accused. Once the information provided through said mechanism has been analyzed, the Committee, should it deem it to be necessary, must propose the appropriate actions to improve its functioning and reduce the risk of irregularities in the future.
  - viii. To supervise the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisors and other stakeholders. Also, to monitor the way in which the Company communicates and relates with small and medium-sized shareholders.
  - ix. To check that the financial information published on the Company's corporate website is constantly updated and that it matches that approved or prepared by the Board of Directors and published on the website of the Spanish Securities Market Commission. If the Committee should be unsatisfied with any aspect following this review, it must notify the Board of Directors of its opinion.
- c) Regarding the internal audit:
- i. To supervise the internal audit of the company. For these purposes, if applicable, the Committee will be able to submit recommendations or proposals to the Board of Directors indicating the corresponding period for follow-up.
  - ii. To ensure the independence of the unit that assumes the internal audit function, which will functionally depend on the Chairperson of the Committee or the non-executive Chairperson of the Board.
  - iii. To propose the selection, appointment and removal of the head of the internal audit service;
  - iv. To propose the budget for that service.
  - v. To approve the orientation and annual work plan of internal audit, ensuring that its activity is mainly focused on relevant risks (including reputational risks).

- vi. To receive regular information on the implementation of the annual plan and other activities carried out, including possible incidents and limitations to the scope that arise during implementation, the results and follow-up of its recommendations, and an activity report at the end of each financial year.
  - vii. To verify that senior management takes into account the conclusions and recommendations of its reports.
  - viii. To evaluate the operation of the internal audit and the performance of its head..
- d) In relation to the external auditor:
- i. To submit proposals for the selection, appointment, re-election and dismissal of the accounts auditor to the Board of Directors, being responsible for the selection process, in accordance with the provisions of articles 16, sections 2, 3, and 5, and 17.5 of (EU) Regulation no. 537/2014, of April 16, in addition to the contracting conditions.
  - ii. To regularly collect information on the audit plan and its implementation from them.
  - iii. To discuss significant weaknesses in the internal control system detected in the course of the audit with the accounts auditor, without infringing upon their independence. For these purposes, if applicable, the Committee will be able to submit recommendations or proposals to the Board of Directors indicating the corresponding period for follow-up.
  - iv. To preserve their independence in the performance of their functions and, in particular, to that end:
    - To establish an appropriate relationship with the external auditor to receive information on any matters that might imply a threat to their independence, for examination thereof by the Committee, and any other threat in relation to the accounts audit operating process and, where appropriate, the authorization of the services other than those prohibited, under the terms set out in Articles 5, Section 4, and 6.2.b) of (EU) Regulation no. 537/2014, of April 16, and in the provisions of Section 3 of Chapter IV of Heading I of Law 22/2015, of July 20, on Accounts Auditing, regarding the system of independence, in addition to other communications set out in the accounts auditing legislation and the audit regulations.
    - In any case, it must receive an annual declaration from external auditors regarding their independence in relation to the entity or

entities directly or indirectly linked thereto, as well as the detailed and broken down information on any additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by the persons or entities linked to this party as established in the legislation that regulates the accounts auditing activity.

- To annually issue a report that expresses an opinion as to whether or not the independence of the accounts auditor or the auditing companies is compromised, prior to the issuing of the audit report. This report shall contain, as applicable, the reasoned appraisal of provision of each of the additional services referred to in the previous section, considered individually and as a whole, other than legal auditing and in relation to their independence or the legislation that regulates the accounts auditing activity.
  - To ensure that the remuneration of the external auditor for their work does not compromise their quality or independence, and establish an indicative limit on the fees that the auditor may receive annually for non-audit services.
- v. To ensure that the external auditor holds an annual meeting with the Board of Directors in a plenary session to inform it of the work carried out and regarding the evolution of the Company's accounting and risk situation.
- vi. To ensure that the Company and the external auditor respect the regulations in force regarding the provision of services other than auditing, the limits on the concentration of the auditor's business, and in general, all other regulations regarding the independence of auditors.
- vii. In the event of the resignation of the external auditor, to examine the circumstances that lead to this.
- viii. To ensure that the Company notifies via the CNMV of the change of auditor and accompanies this with a declaration regarding the possible existence of disagreements with the exiting auditor and, if such disagreements exist, the contents thereof.
- ix. To complete a final evaluation of the auditor's performance and how they have contributed to the quality of the audit and the integrity of the financial information.

The provisions of Sections iv. to viii. above are notwithstanding the regulations governing the auditing of accounts.

- e) Other functions:

- i. To report to the Board of Directors in advance on all matters provided for by law, these Bylaws, and the Regulations of the Board, and in particular, on the following:
  - the financial information the Company has to periodically make public;
  - the creation or acquisition of equity interests in special-purpose entities or entities registered in countries or territories that are considered to be tax havens; and
  - transactions with linked parties
- ii. To issue a report regarding any transactions made between the Company or group companies and Directors, under the terms of the Capital Companies Act, or with shareholders who, either individually or in partnership with others, have a significant shareholding, including shareholders represented on the Board of Directors of the company or other companies forming part of the same group or with linked parties.

The issuing of the aforementioned report with respect to operations that simultaneously have the following three characteristics shall not be necessary if:

  - they take place in virtue of contracts with standardized conditions and are applied across the board to a large number of clients;
  - they are made at rates or prices established generally by the party supplying the goods or services in question; and
  - their value does not exceed one per cent of the Company's annual revenue.
- iii. To stay informed regarding operations involving structural and corporate modifications the Company plans to carry out in order to analyze and report to the Board of Directors regarding their financial conditions and the accounting impact of the operations, and particularly, if applicable, regarding the proposed equation of exchange.
- iv. To propose the modification of the Regulations for the Board of Directors to said Board, whenever the Committee should deem this to be necessary, including the corresponding reasoning with its proposal.
- v. To approve an annual work plan that takes into account the annual schedule for Committee sessions, among other matters, with the goal of facilitating efficient compliance with the goals sought.

- vi. To present an annual evaluation report to the Board of Directors regarding its own performance, within the framework of the annual evaluation of the Board of Directors and its Committees.
- vii. To issue a report on the operation and activities of the Committee during the previous financial year.
- viii. Any other duty attributed thereto by Law, the Company's Bylaws, the Regulations of the Board of Directors or the Board of Directors itself.

Similarly, Article 10 of the Committee's Regulations assigns the Committee the following powers:

1. In order to adequately perform its functions, the Committee shall have full powers to access all types of information, documentation, or registers it should deem necessary to this end.
2. The Committee may request that the Board of Directors engage external advisory services for particularly relevant matters when it believes that these cannot be provided adequately or with the necessary independence by experts or technicians of the Company itself or other group companies.
3. Furthermore, the Committee may request the personal collaboration or a report from any member of the Company's management and/or that of other companies of its group, other directors, executive or otherwise, employees, or experts, whenever it should deem this necessary or convenient to fulfill its functions; likewise, upon the invitation of the Chairperson of the Committee, it may request the presence of any of these people at its meetings, although only to address the specific points on the agenda for which they are invited. Similarly, their presence should not become common practice, so they should only attend when necessary.

In FY 2020, both articles were amended within the framework of the aforementioned amendment of the Regulations, in order to include certain provisions of the Technical Guide, which were in fact being complied with, as well as to adjust their contents to Recommendations 8, 41, 42 and 54 in the CGG, revised by the CNMV in June of this year, and to include other technical improvements.

The following sections detail the main activities carried out by the Committee in the exercise of its powers in FY 2020.

#### **5. Meetings held during the financial year and number of Committee member attendees and other attendees**

<i>Meeting date</i>	<i>Number of Committee member attendees</i>	<i>Other attendees</i>
1/28/2020	3	<ul style="list-style-type: none"> <li>• Chairperson and CEO.</li> <li>• Economic-Financial and Strategy Director.</li> </ul>
1/29/2020	3	<ul style="list-style-type: none"> <li>• Head of Internal Audit.</li> </ul>
2/27/2020	3	<ul style="list-style-type: none"> <li>• Head of Internal Audit.</li> <li>• Economic-Financial and Strategy Director.</li> <li>• External Auditors: Partner in charge of DELOITTE and its team.</li> </ul>
5/6/2020	3	---
7/29/2020	3	<ul style="list-style-type: none"> <li>• Head of Internal Audit.</li> <li>• Economic-Financial and Strategy Director.</li> <li>• External Auditors: Partner in charge of DELOITTE and its team.</li> </ul>
10/7/2020	3	<ul style="list-style-type: none"> <li>• Head of Internal Audit.</li> <li>• Head of the Fiscal Area.</li> </ul>
11/11/2020	3	<ul style="list-style-type: none"> <li>• Partner in charge of the audit firm EY.</li> <li>• Economic Director.</li> <li>• Head of Internal Audit.</li> <li>• Risk Management Unit Director.</li> </ul>
12/17/2020	3	<ul style="list-style-type: none"> <li>• Chief Financial Officer.</li> <li>• Head of Internal Audit.</li> </ul>

## **6. Number of meetings held with the internal auditor and the external auditor**

In FY 2020, six meetings were held with the internal auditor, two meetings were held with the external auditor and one meeting was held with the audit firm appointed to audit the accounts for FY 2021 to 2023.

## **7. Significant activities carried out during the period**

In FY 2020, the Audit Committee met eight times. The Board of Directors has been informed in due time of everything discussed and agreed at each meeting.

A calendar of the meetings held by the Audit Committee in FY 2020 is attached as an Annex, with a description of the matters included on the corresponding agendas.

The main activities that have been carried out by the Committee, in the course of these sessions, can be grouped in the following areas:

- i. Financial and non-financial reporting activities and associated internal control mechanisms**

- Examination, prior to their presentation to the Board of Directors for their formulation, of the individual and consolidated Annual Accounts and Directors' Reports of CAF, S.A. and the CAF Group, respectively, for FY 2019. The Management Report includes the Statement of Non-Financial Information, which contains information on non-financial indicators relating to environmental activity, social issues, human resources, respect for human rights, and the fight against corruption and bribery.
- Examination, prior to their submission to the Board of Directors for approval, of the individual and consolidated quarterly and half-yearly financial statements.
- Review of the remaining information to be made available to the market or to the supervisory bodies during the financial year.

**ii. Related party activities**

Review of the related-party transactions carried out by the Company and planned for the coming financial year, verifying whether they should be submitted to the Board for approval.

**iii. Activities in the area of the sustainability policy and terms of its implementation in the financial year**

The activities in the area of sustainability are attributed by the Board to the Appointments and Remuneration Committee, notwithstanding the verification by the Audit Committee of the information on this matter included in the Management Report accompanying the individual and consolidated Annual Accounts of CAF, S.A. and CAF Group, respectively.

**iv. Risk management and control activities**

- Continuous evaluation of the internal control system of financial information (IFICS) and analysis of the recommendations and plans for improvement of the same, proposed by the Internal Audit.
- Supervision of the Risk Management Unit. Participation of its Head in the Committee meetings, to inform about the main risks and contingencies of the Company and its Group. In this context:
  - Monitoring the Unit's Plan of Activities.
  - Periodic supervision of the assurance map.
  - Supervision of the risk management models implemented by the Company in the different Businesses and Projects.

- Evaluating everything in relation to the company's non-financial risks, including operating, technological, legal, social, environmental, political, and reputational risks.

**v. Activities related to internal audit**

The Committee has directly and continuously analyzed and supervised the actions carried out by the Internal Audit Department of the Company.

In addition to the above, the Committee has carried out the following actions:

- Review of the Annual Report on Internal Audit Activities for FY 2019.
- Approval of the Internal Audit Work Plan for 2020, which includes:
  - Review of published information (quarterly financial statements, annual accounts and management report);
  - Quarterly monitoring of the main financial and fiscal risks.
  - Audit work rotation plan according to criticality;
  - Monitoring of recommendations.
- Monitoring the execution of the Internal Audit Work Plan throughout the financial year.
- Evaluation of the functioning of Internal Audit and the performance of its head.

**vi. Activities related to the external auditor**

- Analysis of the external auditor's reports on the Company's individual and consolidated financial statements for FY 2019.
- Analysis of the limited review report on the 2020 half-yearly financial statements.
- Request for written confirmation of independence issued by the auditor, and preparation of the auditor's independence report, in connection with the audit of the 2019 annual accounts.
- Setting limits and criteria for the approval of non-audit services and approval of the budget for non-audit services for FY 2021.
- Analysis, together with the external auditor, of the main incidents detected during the audit, verifying that they have been resolved, as well as the treatment of the risks found.

- Evaluation of the external auditor's performance.
- Monitoring of the transition plan drawn up jointly between the current auditor, Deloitte, and EY, the auditor appointed for FY 2021, 2022 and 2023.

**vii. Activities on financing**

- Analysis of a program for the issuance of promissory notes on the MARF, to be registered upon maturity in December 2020 of the current ECP Program registered in Ireland, and proposal to the Board of Directors for its approval.

**viii. Follow-up activities to the Committee's own action plans**

Throughout this financial year, the Committee has continuously monitored the following action plans for 2020, proposed in the Report on the annual evaluation of its performance, approved during its meeting on December 17, 2019, noting that all of them have been carried out satisfactorily.

**ix. Other activities**

- Analysis of possible corporate operations of a strategic nature that the Company plans to carry out for approval by the Board of Directors.
- Approval of the report on the operation of the Audit Committee for FY 2019.
- Supervision of the actions of the Company's internal tax function, responsible for the control and management of tax risks in the Group, with periodic reports on the situation of the different phases of development of this function, monitoring of compliance with the tax policy and the most relevant new developments in tax matters for the Company.
- Supervision of the communication strategy and relations with shareholders and investors, including small and medium-sized shareholders.
- Proposal to amend the Policy on Communication and Contacts with Shareholders, Institutional Investors and Voting Advisors.
- Proposal to amend the Regulations of the Audit Committee.
- Approval of an annual work plan for FY 2021 which includes the annual schedule of meetings of the Committee with the external auditors.

- Preparation of the Report on the Annual Evaluation of its performance, within the framework of the evaluation of the Board of Directors, in accordance with the provisions of Recommendation 36 of the Code of Good Governance for Listed Companies.
  - Supervision of expenses due to exchange rate differences.
- x. **Nature and scope of communications, where appropriate, with regulators**

The Board of Directors of CAF has established that communications with the Spanish Securities Market Commission shall be carried out through the Secretariat of the Board. In turn, responsibility for relations with the markets and stock exchanges on which the Company is listed lies with a specific department within the Company ("Investor Relations"), which reports to the Economic, Financial and Strategy Department.

In any case, the members of the Audit Committee are completely free and independent to establish direct communications with the regulators, if they consider it necessary for the adequate performance of their functions, as well as to supervise those carried out by the aforementioned bodies.

## **8. Evaluation of the functioning and performance of the audit committee and methods of assessing its effectiveness**

The Audit Committee has issued the required prior report on the evaluation of its operation and performance in 2020, for the consideration of the Company's Board of Directors, in compliance with the provisions of Section 1 of Article 529h nonies of the LSC, Article 5 of the Board Regulations and Recommendation 36 of the Code of Good Governance.

The Audit Committee gives a favorable assessment of its performance this year, having analyzed the aspects summarized below, and having received a favorable report from the independent external consultant hired to assist the Board in the annual evaluation of its operation and that of its Committees, in accordance with the provisions of the aforementioned Recommendation 36.

From a methodological standpoint, the Committee has taken into consideration, among other indicators, the degree to which the Committee has followed the recommendations of the CGG and the applicable Technical Guides, as well as its adaptation to the current legal framework in matters of corporate governance. The areas under evaluation have been the following:

- Quality and efficiency of the operation of the Committee, including the degree to which it makes effective use of the contributions of its members.
- Size, composition and diversity of the Committee.

- Frequency and duration of meetings.
- Content of the agenda and adequacy of the time allocated to addressing the different issues according to their importance.
- Quality of the information received.
- Breadth and openness of the debates.
- Whether the decision-making process is dominated or strongly influenced by one member or a small group of members.

In addition, the Commission has verified compliance with the plans and objectives proposed for 2020 in the previous year's evaluation report.

As a result, the Audit Committee has concluded that during FY 2020:

- i. The annual evaluation of the Committee's performance shows a positive result, having adequately fulfilled the functions entrusted to it.
- ii. It has had the necessary resources to carry out its tasks.
- iii. The Directors who are members of the Committee have satisfactorily fulfilled their responsibilities.
- iv. The results of the evaluation have not led to significant changes in their internal organization and procedures.

## **9. Information on the Audit Committee's opinion on the Auditor's independence**

On February 27, 2020, the Audit Committee drew up the report referred to in Article 529 quaterdecies Section 4.f) of the LSC for the financial year that ended on December 31, 2019.

This report assessed the non-audit services provided by the external auditor, analyzing their nature and amount. Similarly, the statement of independence sent by the external auditor was reviewed, along with the information on the services provided to CAF and its subsidiaries, and the corresponding fees received.

In the light of the above, it has been ruled out that legally prohibited services have been provided and it has been verified that the amount of these services is lower than the limit set by the applicable regulations.

In accordance with the above, it was concluded that the Audit Committee has not identified any aspects that would call into question compliance with current regulations applicable to the accounts auditing activity in terms of auditor independence.

## **10. Information on which, if any, practical guides on audit committees are being followed and to what extent**

Since the publication of the CNMV's Technical Guide 3/2017 on this subject, the Audit Committee has followed these guidelines as a guide to action in the performance of its functions.

## **11. Conclusions**

As a result of the above, the Audit Committee considers that its organization and operation during the FY 2020 are in line with the provisions of the law, the Bylaws and its own Regulations.

In addition, all the recommendations of the Code of Good Governance concerning audit committees, contained in Section III.3.4.2 and other related sections, to which CAF attaches particular importance, have been complied with.

The Commission also believes that, through the work carried out throughout this year, it has faithfully fulfilled the functions entrusted to it.

Notwithstanding this positive assessment, the Committee reaffirms its willingness to continue improving the efficiency of its operation and compliance with its goals, in line with best practices in the area of Corporate Governance.

This report was issued by the Audit Committee on February 4, 2021.

### **Approval by the Board of Directors and Dissemination:**

This report was approved by the Board of Directors of CAF during its meeting on February 25, 2021.

In accordance with Recommendation 6 of the CNMV's Code of Good Governance for Listed Companies, this document will be published on the Company's website ([www.caf.net](http://www.caf.net)) sufficiently in advance of the Ordinary General Meeting.

**ANNEX**  
**Calendar of meetings in 2020**

<b>Date</b>	<b>Issues addressed</b>
January 28, 2020	<ul style="list-style-type: none"><li>○ Analysis and, if appropriate, a favorable report on a strategic corporate transaction, for approval by the Board of Directors.</li></ul>
January 29, 2020	<ul style="list-style-type: none"><li>○ Annual report of activities of Internal Audit 2019.</li><li>○ Report of improvements in the IFICS.</li><li>○ 2020 Internal Audit Activity Plan.</li><li>○ Report on the operation of the Committee for FY 2019.</li><li>○ Miscellaneous.</li></ul>
February 27, 2020	<ul style="list-style-type: none"><li>○ Presentation by the external auditors of the conclusions of the audit for FY 2019.</li><li>○ Review of the annual accounts and management report for FY 2019.</li><li>○ Approval of the Report on the Independence of the External Auditor.</li><li>○ Evaluation of the External Auditor's performance.</li><li>○ Evaluation of the functioning of Internal Audit and the performance of its head.</li><li>○ Miscellaneous</li></ul>
May 6, 2020	<ul style="list-style-type: none"><li>○ Evolution of the 2020 Internal Audit Plan.</li><li>○ Financial Information Risk Map.</li><li>○ Risk Management Unit Report.</li></ul>

- Report on the communication strategy and relationship with shareholders and investors.
  - Miscellaneous.
- July 29, 2020
- Presentation by the external auditors of their limited review report on the financial statements for the first half of the year.
  - Review of the financial information for the first quarter and first half of the year for proposal to the Board.
  - Monitoring of the main financial and fiscal risks.
  - Evolution of the 2020 internal audit plan.
  - Miscellaneous.
- October 7, 2020
- Evolution of the 2020 internal audit plan.
  - Report on the Tax Function.
  - Miscellaneous.
- November 11, 2020
- Presentation by the external auditors on the transition process between audit firms.
  - Quarterly Interim Statement for the third quarter of FY 2020.
  - Monitoring of the main financial and fiscal risks.
  - Risk Management Unit Report.
  - Proposal of the Finance Department on the Program for the issuance of promissory notes on the MARF.
  - Proposal to amend the Policy on Communication and Contacts with Shareholders, Institutional Investors and Voting Advisors.
  - Miscellaneous.

December 17, 2020

- Report on expenses due to exchange rate differences.
- Evolution of the FY 2020 Internal Audit Plan.
- Approval of the Non-Audit Services Budget for FY 2021.
- Report on Related-Party transactions.
- Proposal to amend the Regulations of the Audit Committee.
- Annual evaluation of the Committee's Performance.
- Approval of the Plan of Activities for 2021.
- Miscellaneous.