

2019 SLAVERY AND HUMAN TRAFFICKING STATEMENT OF THE MODERN SLAVERY ACT 2015 (UK)

1. Introduction

Construcciones y Auxiliar de Ferrocarriles, S.A., as the parent company of the CAF Group, and on behalf of all companies forming part thereof (hereinafter, "CAF"), expressly condemns slavery and human trafficking.

This statement corresponds to the requirements of Section 54 (Part 6) of the *Modern Slavery Act 2015 (UK)* and briefly describes the commitments and measures implemented for prevention and, if applicable, the elimination of the aforementioned practices in its own organization, as well as in its supply chain. Likewise, CAF is committed to continue advancing in developing of the measures launched with this objective.

2. About CAF

CAF is a multinational group with more than 100 years of experience in providing its clients with comprehensive, cutting-edge transportation systems with high added value in sustainable mobility.

The CAF Group, which is a multi-business, multi-plant company and a benchmark company in the railway sector, offers its clients one of the widest and most flexible product ranges on the market, from comprehensive transport systems to rolling stock (rail and bus), components, infrastructures, signaling and services (maintenance, refurbishment and financing). The whole value offer is available on the company's website.

- Within the rail rolling stock segment, which is its main and longest-standing business line, the CAF Group offers a wide range of products ranging from high-speed trains to regional and commuter trains, metros, trams and LRVs, or locomotives, among others.
- In the bus sector, the CAF Group also has trolley buses and urban rail vehicles, offering a wide range of electric buses with zero emissions, where it maintains a position of leadership in the European market.

In order to carry out its operations, CAF has production plants in Spain, France, the United States, Mexico, Brazil, the United Kingdom, and Poland. Additionally, the company has offices and maintenance centers in more than 20 countries across five continents.

For more information on CAF's activities, please see the consolidated Annual Report of the CAF Group and the Corporate Social Responsibility Report for the 2019 financial year, both published on the company's website www.caf.net.

3. Commitment and Published Rules and Regulations

CAF proclaims its commitment to fighting slavery and human trafficking, and this commitment includes but it is not limited to: (i) complying with the strictest legislation in force in the territories in which CAF operates, (ii) scrupulously respecting the fundamental rights contained in the Universal Declaration of Human Rights and the principles set out by the United Nations Global Compact on Human Rights, and (iii) encouraging responsible practices among its suppliers.

These commitments are public and are included as part of CAF's Corporate Governance System (which are the higher-ranking regulations within CAF's set of internal rules and regulations), and more specifically in: (i) the [Code of Conduct](#) of the CAF Group and in (ii) the [Corporate Social Responsibility Policy](#) and in (iii) the [Supplier Code of Conduct](#), all published on the company's website www.caf.net.

Likewise, CAF's Crime Prevention Manual, mentioned in section 4.2 of this report and which also forms part of the Corporate Governance System, contains an express commitment on the part of the organization with respect to the OECD Guidelines for Multinational Companies (which covers in Chapters IV and V thereof, respectively, companies' duty to respect Human Rights and workers' rights in terms of employment and labor relations, in particular eliminating any kind of forced labor).

Said commitments are reiterated and materialized as specific actions in other implementing regulations within CAF's Internal Regulation System.

4. Measures Implemented

CAF has implemented a series of measures that seek to guarantee the commitments acquired in this regard, both internally and among its suppliers. In this regard, among other measures, CAF: (i) implements specific mechanisms to guarantee workers' Rights, (ii) establishes the general principles of its Code of Conduct as standards of mandatory compliance for all of CAF's employees, as well as for its suppliers and commercial collaborators, and has a Crime Prevention Manual that applies to CAF's employees, of which the Code of Conduct forms part and which contains, among others, specific measures to be followed in relationships with third parties, (iii) has a system for supplier registration and control of the supply chain, (iv) has a Compliance Committee that supervises the effective application of the Code of Conduct and the Crime Prevention Manual, (v) has established a general whistle-blower channel and other specific supplier and labor-related ones, (vi) works on continuous development of the Risk Assessment and Management System, in which is included the management and control of risks in relation to Human Rights, and (vii) has assigned specific powers of control and supervision of the Corporate Governance System, in relation to Corporate Social Responsibility (CSR) and the reporting of non-financial information, and of the Risk Assessment and Management System to each Committee of the parent company's Board of Directors, in order to ensure commitment at all levels of the organization.

These measures and the advances in year 2019 that are briefly mentioned below, in addition to other activities implemented, are described in greater detail in the 2019 Corporate Social Responsibility Report that was prepared in accordance with the essential option of the Global Reporting Initiative (GRI) international standard, published on the corporate website www.caf.net.

4.1 Respect for the moral integrity of workers

CAF is committed to safeguarding the moral integrity of all professionals carrying out activities within the organization and guarantees the right to working conditions that respect people's dignity. Activities at the corporate level are monitored by the Human Resources Department of the parent company in order to ensure the standard rules set by the Code of Conduct with regard to the due behavior of the company with its workers are met in every workplace of the company.

To this end, the CAF Group has adopted the measures it deems necessary to guarantee that workers can exercise their rights of freedom of association and collective bargaining in all the countries in which it operates. Furthermore, it has implemented the necessary measures to avoid child labor, forced or obligatory labor or the allocation of dangerous work to young people, both in its own operations and further up the chain, among its suppliers, thanks to its collaboration with Ecovadis mentioned in the Social Matters section, as well as the supervision of compliance with the Code of Conduct carried out in CAF's main activity, on a national and international level.

The risks inherent in these commitments that could potentially endanger the fulfillment thereof have been identified: (i) violation of the principle of equal treatment and/or discrimination in the workplace; (ii) lack of freedom of association and collective bargaining in own and/or third party centers; (iii) child exploitation in own and/or third party centers; (iv) forced labor in own and/or third party centers; (v) violation of the rights of indigenous peoples; (vi) psychological abuse; (vii) insufficient integration of disabled people.

Contextualizing said risks, the Group covers and exercises the matters in relation to the respecting of human rights from the point of view of social responsibility with the goal of maximizing its contribution to sustainable development. Reference standard ISO 26000:2012 is taken as a base to this end.

4.2 Code of Conduct and the Crime Prevention Manual

Since 2011, the CAF Group's Code of Conduct has defined the set of general regulations and principles for corporate governance and professional conduct which apply to all the Group's professionals, as well as to any entity or person collaborating with or related to the Group, thereby serving as a basis for any other Codes of Conduct for any possible specific aspects which complement the former.

In developing the Code of Conduct, a crime prevention program was established within the CAF Group Crime Prevention Manual, that was approved by CAF S.A.'s Board of Directors on April 29, 2015 (first version), which includes the Code of Conduct itself as an essential part thereof. Both documents are adapted to local legislation in line with the relevant requirements.

This Manual, together with its implementing regulations and updates, meets the requirements to verify the sufficiency and effective establishment of the existing controls and procedures in the company with the purpose of preventing, in as far as should be possible, the risk of relevant crimes in relation to the CAF Group's activities and the consequences thereof.

To this end, an obligation has been established, among others, whereby the legal and professional representatives of the CAF Group, and third parties that enter into contracts with companies of the Group, abide by the General Principles of CAF's Code of Conduct. Section 4.3 of this report provides a detailed explanation with regards to suppliers.

Thus, the General Principles of the CAF Code of Conduct are imperative rules of conduct and ethical standards that are founded in scrupulous respect for laws, Human Rights, public freedoms, and fundamental rights, the principles of equal treatment and non-discrimination, protection against child labor, and any other principles contained in the Universal Declaration of Human Rights and the United Nations Global Compact in the areas of Human Rights, labor rights, the environment, and anti-corruption.

Likewise, the CAF Group's Crime Prevention Manual is periodically reviewed with the most recent version having been approved by the Board of Directors of CAF, S.A. on December 18, 2018. Further to the approval of any new version of the aforementioned Manual or any implementation regulations in relation thereto, the appropriate dissemination and training measures will be adopted.

In 2019, CAF's effort was notable in the aforementioned activities of dissemination and training of the Crime Prevention Manual and the Code of Conduct which included, among other aspects and as part of the mandatory respect for Human Rights, the commitments adopted regarding the fight against slavery and human trafficking.

On the date of drafting of this document, between the parent company and the national subsidiaries, 94.4% of the people included in the training plan on this subject had completed said training. In 2019, significant international progress has been made, having launched the training programs in 97% of the consolidation perimeter. Over 4,762 people have received training on this subject, amounting to 93% of the eligible personnel. 386 people are currently taking part in the program. There is also a system by which new employees receive training, with this program included as part of the new employee recruitment plans. All training materials are kept up to date. Said figures do not take into account the incorporation of the Swedish company Euromaint as it is a recent acquisition of the CAF Group, although the training plan on this subject has already begun in the 2019 financial year.

Additionally, all the CAF Group's business partners, in all operating regions, are notified of the existence of the General Principles of CAF's Code of Conduct and their obligation to comply therewith.

4.3 Registration of suppliers and control of the supply chain

The CAF Group requires all its suppliers to comply with the ethical principles contained in CAF's Code of Conduct published on its corporate website, which includes social, gender equality and environmental commitments.

Additionally, in 2019, the Code of Conduct for Suppliers became effective on a corporate level following its approval by the Suppliers' Forum and ratification by the Executive Committee and is available through the normal means of internal communication, as well as on CAF's website. This code implements the commitments to comply with the general principles of the Code of Conduct, working conditions, health and safety, environment, commercial ethics and confidentiality. Likewise, CAF reserves the right to verify compliance with this Suppliers' Code by its direct suppliers. Said verification may take place through various means, for example, through self-assessment questionnaires or audits at the supplier's facilities. CAF reserves the right to implement measures if it detects non-compliance with said commitment.

In this area, the following social, gender equality, and environmental risks have been identified in relation to the purchase policy: (i) violation of business ethics on the part of the suppliers; (ii) failure to comply with laws and regulations on the part of suppliers; (iii) disregarding of human rights, and (iv) participation in corruption (bribes).

When obtaining sustainability assessments from suppliers, the vehicles unit prioritizes those with greater environmental, social, and ethical risk, whether due to the potential environmental impact of the product or being located in countries with greater exposure to these risks.

The assessment is performed by the company Ecovadis, a world leader in this area and a sustainability assessment platform that has been chosen by the members of the Railponsible initiative to assess the CSR management of suppliers. Ecovadis adapts the assessment questionnaire to each supplier based on the locations it operates in, its sector, and its size to assess 21 aspects of sustainability in line with the strictest rules, regulations and standards on an international level which include the Global Reporting Initiative (GRI), International Labour Organization (ILO), UN Global Compact, and ISO 26000. The suppliers' answers are assessed by specialized analysts who pay special attention to ensure that the documentary evidence is consistent, recent, and provides an overview of the Policies, Actions, and Results in the various areas. When the result of an assessment does not comply with the requirements established by CAF, the supplier is requested to implement a plan of action to improve the weaknesses identified.

The main results of CAF Vehicles' Responsible Purchase Program for 2019 are shown below:

- The number of suppliers assessed went from 23 suppliers in 2018 to 39 in 2019.
- The coverage of the sustainability assessments in relation to the total purchases of Materials and Equipment went from 35% to 55% in the last year.
- The general sustainability indicator of the suppliers for the Vehicles activity was 52.9 points, 10 points above the average of all the suppliers assessed by Ecovadis on a global scale.
- 50% of the CAF Vehicles suppliers assessed improved their assessment during 2019 and 20% remained the same.

No purchases were made from suppliers with an Ecovadis assessment score of less than 25 and therefore considered a risk.

- 7% of the purchases of Materials and Equipment were made to suppliers with an Ecovadis assessment score between 45 and 25, to whom CAF has been requested to improve their results.

4.4 Compliance Committee

The Compliance Committee is a body with autonomous monitoring and control powers, which, among other functions, is in charge of supervising the crime prevention model implemented through the Crime Prevention Manual, checking the implementation of and compliance with CAF's Code of Conduct and supervising the complaints channel mentioned in section 4.5 below.

The CAF Group's Crime Prevention Manual establishes that the Compliance Unit or Committee may assign a Delegate, who shall be functionally dependent on said unit or committee, in the subsidiaries or branches of the CAF Group in those jurisdictions in which this is either required by the local legislation in force or recommended given the size or characteristics of the subsidiary or branch.

Likewise, in the 2019 financial year, a decision was made to change the structure of the Compliance Committee, in light of the need for the Compliance body to have a multi-disciplinary operational side and the need to separate this from the supervisory side, which would be fulfilled by the Directors of the Compliance Committee appointed by the Board of Directors.

To this end, the Compliance Operations Committee was created, as the functional organizational side of the Compliance Committee.

4.5 Whistle-blower channel

CAF's Code of Conduct and Crime Prevention Manual determine the existence of a unique whistle-blower channel for the notification of general non-compliance and which is supervised by the Compliance Committee.

Regardless of the foregoing, for situations like discrimination, harassment, mobbing or safety in the workplace, specific channels are established for the notification and addressing of any inappropriate conduct that should occur in said areas.

The Manual also envisages the possibility that other means may be enabled to receive reports in jurisdictions where local legislation so demands.

The Corporate Code of Conduct for Suppliers establishes a new whistle-blower channel for suppliers to report general cases of non-compliance and which is supervised by the Compliance Committee.

4.6 Risk Assessment and Management

As stated in more detail in the Annual Corporate Governance Report for the 2019 financial year, approved by the Board of Directors of the parent company and available on the company's website www.caf.net, the CAF Group's Comprehensive Risk Assessment and Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates; and it is based on a range of strategic and operational actions in order to manage the risks and meet the objectives set by the Board of Directors.

CAF has a corporate body of risk assessment and management with the main objective of ensuring the proper functioning of the above mentioned System.

In the framework of the permanent development of the Risk Assessment and Management System, the latter includes management and control of risks regarding Human Rights.

4.7 Powers of control and supervision of the Corporate Governance System, regarding CSR aspects and the reporting of non-financial information, and supervision of the Risk Assessment and Management System

As an expression of CAF's firm commitment at the highest level and across the organization regarding regulatory compliance, Human Rights and social aspects, the Nomination and Remuneration Committee of the parent company's Board of Directors has been entrusted, among other functions associated with the general control of the Corporate Governance System, with the following powers regarding CSR aspects and the reporting of non-financial information: (i) Supervising compliance with the internal codes of conduct and the company's corporate governance rules and (ii) Coordinating the non-financial information reporting process.

Within the framework of these functions, during the 2019 financial year, the appropriate report was submitted to the Nomination and Remuneration Committee for the Supervision and Assessment of the CSR Policy and said Committee issued a Corporate Governance supervision and assessment report as well as supervision and assessment report on CSR initiatives.

For its part, pursuant to the aforementioned commitments, the Auditing Committee of the Board of Directors has the power to supervise the Risk Assessment and Management System, which includes both financial and non-financial aspects.

In the 2019 financial year, the periodic report was submitted to the Auditing Committee, which also reported to the Board of Directors with regards to the overall situation of the CAF Group's risks.

5. Approval

This statement was approved by the Board of Directors on February 27, 2020, in accordance with the requirements set forth in the *Modern Slavery Act 2015 (UK)*, and corresponds to the financial year ended December 31, 2019.

This statement will be available on the corporate website www.caf.net.



Beasain on February 27, 2020

Andrés Arizkorreta García
**Chairman and CEO of
Construcciones y Auxiliar de Ferrocarriles, S.A.
on behalf of the CAF Group**