

# AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE STATE ADMINISTRATION (IGAE)

To the President of the Entidad Pública Empresarial ADIF-Alta Velocidad:

## Opinion

The General Comptroller of the State Administration, in use of the powers conferred by article 168 of the General Budgetary Law, has audited the annual accounts of the Entidad Pública Empresarial ADIF-Alta Velocidad (hereinafter, ADIF Alta Velocidad or the Entity) comprising the balance sheet at 31 December 2020, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the annual accounts, for the year ended on that date.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of ADIF Alta Velocidad at 31 December, 2020, and of its results and cash flows for the year then ended in accordance with the applicable regulatory financial reporting framework (identified in 2.a in the notes to the annual accounts) and, in particular, with the accounting principles and policies contained therein.

## Basis for opinion

We conducted our audit in accordance with the audit regulations in force for the Public Sector in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Entity in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the annual accounts of the Public Sector in Spain as required by the Public Sector audit regulations in force.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Property, plant and equipment

### Description

As detailed in Appendix I to the accompanying notes to the annual accounts, at 31 December 2020, the Entity has recognised a net carrying amount of 46,353,823 thousand euros under "Property, plant and equipment" under non-current assets in the balance sheet, which relates mainly to railway installations and tracks and represents over 97% of the Entity's total assets.

The Entity uses the acquisition price or production cost, including materials, direct labour, capitalised financial expenses and other expenses incurred, which are subsequently depreciated on the basis of the years of estimated useful life, as the general accounting criterion for their valuation. In application of Order EHA/733/2010 of 25 March, the Entity has considered that the assets that make up its fixed assets should principally be classified as non-cash flow generating assets, given their characteristics, as they correspond to elements of the railway infrastructures included in the General Interest Railway Network and are owned primarily for the purpose of generating social economic flows that benefit the community, and therefore, with a different objective to that of generating a commercial return. The breakdown of the main aspects related to the valuation of Property, plant and equipment, as well as the movements in this heading, can be found in Notes 3.b), 4 and Appendix I of the accompanying notes to the annual accounts.

## AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE STATE ADMINISTRATION (IGAE)

We have considered this matter as a key issue in our audit because of the significance of the amounts involved.

### *Our Response*

Our audit procedures included, among others:

- Understanding of the procedures established by the Entity for the recognition of investments made and write-offs recorded, as well as the criteria for depreciation of fixed assets.
- For a sample of projects in progress, we have analysed the supporting documentation relating to the main cost capitalisations made, assessing their proper accounting recognition.
- Analysis of a sample of projects transferred from work in progress to completed work during the year, checking the reasonableness of the transfer.
- Review of a sample of write-offs recorded by the Entity during the year.
- Recalculation of the depreciation charge for the year, according to the coefficients applied by the Entity.
- Review of the disclosures included in the notes to the annual accounts in relation to this matter in accordance with the applicable financial reporting framework.

### **Provisions for risks and expenses arising from the railway integration companies in which the Entity participates.**

#### *Description*

As detailed in Notes 10.b.3) and 23 of the accompanying notes to the annual accounts, at 31 December 2020, the Entity has recognised a balance of 132,484 thousand euros under "Long-term provisions" in non-current liabilities in the balance sheet, which corresponds to the best estimate available at that date of the obligations assumed, not provided for in other items in the annual accounts, for the participation in various integration companies.

As indicated in Note 3.i) of the accompanying notes to the annual accounts, in order to quantify these obligations the Entity considers the estimated cash flows expected to be obtained in each case, provided by the management of each of the companies, analysing their capacity to obtain income from the disposal of land that will enable them to meet the obligations assumed with third parties to develop the project entrusted to them, as well as the need for contributions of funds from shareholders and their capacity to repay the financing contributed and pending contribution. In those cases in which it is estimated that there will be a deficit to be assumed by shareholders, the final risk assumed by the Entity is determined, taking into account, in addition, the best estimate of the value of the railway infrastructure that the Company must deliver to ADIF Alta Velocidad. Consequently, the loss assumed by the Entity and recognised as a provision for liabilities and charges and as a provision for impairment of financial assets is quantified as the difference between the present value of the aforementioned shortfall and the estimated cost of the infrastructure to be received by the Entity (see Note 3.b).

We have considered this matter as a key issue in our audit because of the significance of the amounts involved.

# AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE STATE ADMINISTRATION (IGAE)

## *Our Response*

Our audit procedures included, among others:

- Understanding of the procedures established by the Entity for the recognition of provisions for risks and expenses arising from the Railway integration companies in which the Entity participates.
- For a relevant sample of the provisions for risks and expenses recorded by the Entity in this connection, obtaining and analysing the business plans of the integration companies, assessing the reasonableness of the methodology used and reviewing the main variables thereof.
- For the main provisions recognised in this connection, we assessed the criteria and calculations used by the Entity to determine the carrying amount of these provisions.
- Review of the disclosures included in the notes to the annual accounts in relation to this item in accordance with the applicable financial reporting framework.

## **Other matters: participation of private auditors**

The audit firm *PKF Attest Servicios Empresariales S.L.*, by virtue of the contract signed with the Ministry of Finance at the proposal of The General Comptroller of the State Administration, carried out the audit work referred to in the first section. In this work, the Technical Standard on relations with auditors in the public sector, dated 30 December 2020, was applied by the General Comptroller of the State Administration's Office.

The General Comptroller of the State Administration has drawn up this report on the basis of the work carried out by the audit firm *PKF Attest Servicios Empresariales S.L.*

## **Other information: Management report and report on compliance with the economic-financial obligations assumed by State Public Sector entities subject to the General Accounting Plan for Spanish companies and its adaptations as a result of belonging to the Public Sector.**

The other information comprises the management report for the 2020 financial year and the report on compliance with the economic-financial obligations assumed by the entity as a result of its belonging to the Public Sector as referred to in article 129.3 of the General Budgetary Law, the formulation of which is the responsibility of the President of the Entity, and which do not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the other information. Our responsibility for the other information, as required by the regulations governing the audit activity, is to assess and report on the consistency of the other information with the annual accounts, based on our knowledge of the entity obtained in the course of the audit of the annual accounts and not including information other than that obtained as evidence during the audit. Our responsibility in relation to the other information is also to assess and report on whether the content and presentation of the other information is in accordance with applicable law. If, based on the work we have performed, we conclude that material misstatements exist, we are required to disclose them.

On the basis of the work performed, as described in the previous paragraph, we have nothing to report in respect of the other information. The information contained therein is consistent with that in the annual accounts for the financial year 2020 and its content and presentation are in accordance with the applicable regulations.

# AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE STATE ADMINISTRATION (IGAE)

## Responsibility of the President for the audit of the annual accounts

The President is responsible for the preparation of the accompanying annual accounts so that they give a true and fair view of the equity, financial position and results of the Entity, in accordance with the regulatory financial reporting framework applicable to the Entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the President is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the President either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force for the Public Sector in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the regulations governing the audit activity in force for the Public Sector in Spain, we apply our professional judgement and maintain an attitude of professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the President.
- Conclude on the appropriateness of the President's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

**AUDIT REPORT ON THE ANNUAL ACCOUNTS ISSUED BY THE GENERAL COMPTROLLER OF THE  
STATE ADMINISTRATION (IGAE)**

We communicated with the President regarding, among other matters, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identified during the course of the audit.

Among the matters that have been communicated to the President of the entity, we identified those matters that were of most significance in the audit of the current period's annual accounts and which are, accordingly, the key audit matters.

Madrid, 30 March 2021

***Electronically signed by Mr. Antonio Merino Díaz***

**Delegate Comptroller at ADIF Alta Velocidad**

**Entidad Pública  
Empresarial  
ADIF-Alta  
Velocidad**

**31 December 2020**

*(Free translation from the Original in  
Spanish. In the event of discrepancy,  
the Spanish version prevails)*

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## Financial Statements

31 December 2020

Balance Sheet  
at 31 December 2020 and 31 December 2019

Expressed in thousands of Euros

ASSETS	NOTE	31/12/2020	31/12/2019
Intangible assets	4	73,586	54,747
Property, plant and equipment	4	46,353,823	45,653,515
Land and buildings		3,867,484	3,829,436
Technical installations, machinery, equipment, furniture and other items		28,354,380	27,382,415
Under construction and advances	4	14,131,959	14,441,664
Investment property	4	194,149	196,415
Non-current investment in Group companies and associates	5	433,383	488,144
Equity instruments		8,443	8,443
Loans to companies		424,940	479,701
Non-current investments		77,037	78,324
Equity instruments	6	1,754	1,739
Public entities	12	74,407	75,712
Other financial assets	6	876	873
Deferred tax assets	11 and 12	613	1,074
Non-current trade receivables	6	368	455
<b>Total non-current assets</b>		<b>47,132,959</b>	<b>46,472,674</b>
Trade and other receivables		245,676	272,682
Trade receivables	6	51,861	124,350
Trade receivables, from Group companies and associates	6	271	568
Other receivables	6	135,218	110,127
Personnel	6	12	29
Current tax assets	12	26	33
Public entities, other	12	58,288	37,575
Current investments in Group companies and associates	5	189,921	65,309
Loans to companies		189,921	65,309
Short-term financial investments	6	29	136
Cash and cash equivalents	7	353,335	366,221
Cash		278,335	366,221
Cash equivalents		75,000	-
<b>Total current assets</b>		<b>788,961</b>	<b>704,348</b>
<b>TOTAL ASSETS</b>		<b>47,921,920</b>	<b>47,177,022</b>

Balance Sheet  
at 31 December 2020 and 31 December 2019

Expressed in thousands of Euros

EQUITY AND LIABILITIES	NOTE	31/12/2020	31/12/2019
Equity	8	13,894,657	14,043,735
Equity contributions		15,617,836	15,306,262
Reserves		29,730	29,521
Retained earnings		(1,292,048)	(1,112,806)
Loss for the year		(460,861)	(179,242)
Valuation adjustments	11	(1,840)	(3,222)
Grants, donations and bequests received	9	11,051,280	10,821,491
<b>Total equity</b>		<b>24,944,097</b>	<b>24,862,004</b>
Non-current provisions	10	947,827	812,635
Long-term employee benefits		836	985
Other provisions		946,991	811,650
Non-current payables	11	16,314,726	16,030,305
Bonds and other marketable securities		5,580,261	4,982,186
Loans and borrowings		10,379,775	10,513,279
Derivatives		2,453	4,295
Other financial liabilities		352,237	530,545
Long-term debts with group companies and associates	11	53,911	53,911
Deferred tax liabilities	12	3,683,759	3,607,163
Non-current accruals	14	433,082	462,888
<b>Total non-current liabilities</b>		<b>21,433,305</b>	<b>20,966,902</b>
Current provisions	10	52,154	76,231
Short-term employee benefits		698	613
Other provisions		51,456	75,618
Current payables	11	969,999	938,480
Bonds and other marketable securities		57,375	55,397
Loans and borrowings		681,309	663,748
Derivatives		47	61
Other financial liabilities		231,268	219,274
Current payables, to Group companies and associates	11	77,195	84,378
Trade and other payables		417,518	222,297
Other suppliers and payables	11	416,130	220,937
Suppliers, Group companies and associates	11	542	506
Personnel	11	278	264
Current tax liabilities		(23)	(23)
Public entities, payables	12	591	613
Current provisions	14	27,652	26,730
<b>Total current liabilities</b>		<b>1,544,518</b>	<b>1,348,116</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,921,920</b>	<b>47,177,022</b>

Income Statement  
31 December 2020 and 2019

Expressed in thousands of Euros

	NOTE	31/12/2020	31/12/2019
Revenue	13	327,388	610,980
Self-constructed assets		10,391	10,184
Other operating income	14	345,243	436,241
Personnel expenses	15	(16,755)	(15,817)
Other operating expenses	16	(675,710)	(765,454)
External services		(673,428)	(761,029)
Taxes		(3,455)	(3,991)
Losses, impairment and changes in trade provisions		1,173	(434)
Amortisation and depreciation		(373,840)	(354,907)
Non-financial and other capital grants	17	120,588	106,814
Provision surpluses		937	4,515
Impairment and result on disposal of fixed assets		2,165	(4,360)
<b>Results from operating activities</b>		<b>(259,593)</b>	<b>28,196</b>
Finance income	19	121,442	125,697
From equity instruments		4,586	1,656
From marketable securities and other financial instruments		4,966	6,356
Capitalised finance costs	19 and 4	108,129	113,910
Other		3,761	3,775
Finance costs	18	(310,528)	(329,817)
On third party loans		(310,523)	(329,805)
Provision adjustments		(5)	(12)
Change in fair value of financial instruments		(2,483)	(3,077)
Impairment and losses on disposal of financial instruments	10.b.1	(9,699)	(241)
<b>Net finance expense</b>		<b>(201,268)</b>	<b>(207,438)</b>
<b>Loss before income tax</b>		<b>(460,861)</b>	<b>(179,242)</b>
Income tax	12.c	-	-
<b>Loss for the year</b>		<b>(460,861)</b>	<b>(179,242)</b>

Statement of Changes in Equity  
31 December 2020

A) Statement of Recognized Income and Expense corresponding to the year ended  
31 December 2020

Expressed in thousands of Euros

	NOTE	31/12/2020	31/12/2019
<b>Loss for the year</b>		<b>(460,861)</b>	<b>(179,242)</b>
Income and expense recognised directly in equity			
Grants, donations and bequests	9	426,973	376,778
Cash flow hedges	11	1,842	1,133
Actuarial gains and losses and other adjustments		209	(8,810)
Grants tax effect	9 and 12	(106,743)	(94,194)
Cash flow hedges tax effect	11	(460)	(283)
<b>Total income and expense recognised directly in equity</b>		<b>321,821</b>	<b>274,624</b>
Amounts transferred to the income statement			
Grants, donations and bequests	17	(120,588)	(106,814)
Tax effect	12	30,147	26,704
<b>Total amounts transferred to the income statement</b>		<b>(90,441)</b>	<b>(80,110)</b>
<b>Total recognised income and expense</b>		<b>(229,481)</b>	<b>15,272</b>

Statement of Changes in Equity  
Corresponding to the year ended 31 December 2020

B) Statement of Total Changes in Equity corresponding to the year ended 31 December 2020

Expressed in thousands of Euros

	Equity contributions (Note 8a)	Reserves	Retained earnings	Loss for the year	Grants, donations and bequests received (Note 9)	Valuation adjustments (Note 11.a.1)	Total
<b>Balance at 31 December 2018</b>	<b>14,994,688</b>	<b>38,331</b>	<b>(889,396)</b>	<b>(223,410)</b>	<b>10,619,017</b>	<b>(4,072)</b>	<b>24,535,158</b>
Recognised income and expense	-	(8,810)	-	(179,242)	202,474	850	15,272
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions (note 8c)	311,574	-	-	-	-	-	311,574
Other changes in equity	-	-	(223,410)	223,410	-	-	-
<b>Balance at 31 December 2019</b>	<b>15,306,262</b>	<b>29,521</b>	<b>(1,112,806)</b>	<b>(179,242)</b>	<b>10,821,491</b>	<b>(3,222)</b>	<b>24,862,004</b>
Recognised income and expense	-	209	-	(460,861)	229,789	1,382	(229,481)
Transactions with shareholders or owners	-	-	-	-	-	-	-
Increase in equity contributions (note 8.c)	311,574	-	-	-	-	-	311,574
Other changes in equity	-	-	(179,242)	179,242	-	-	-
<b>Balance at 31 December 2020</b>	<b>15,617,836</b>	<b>29,730</b>	<b>(1,292,048)</b>	<b>(460,861)</b>	<b>11,051,280</b>	<b>(1,840)</b>	<b>24,944,097</b>

## Cash Flow Statement corresponding to the year ended 31 December 2020

Expressed in thousands of Euros

	31/12/2020	31/12/2019
Cash flows from/(used in) operating activities		
Loss for the period before tax	(460,861)	(179,242)
Adjustments for:	445,756	448,737
Depreciation and amortisation (+)	373,840	354,907
Impairment (+/-)	3,651	675
Change in provisions (+/-)	4,965	(1,404)
Grants recognised in the income statement (-)	(120,588)	(106,814)
Proceeds from disposals of fixed assets (+/-)	2,710	4,360
Finance income (-)	(121,442)	(125,697)
Finance costs (+)	310,528	329,817
Change in fair value of financial instruments (+/-)	2,483	3,077
Other income and expenses (-/+)	(10,391)	(10,184)
Changes in operating assets and liabilities	76,881	(64,128)
Trade and other receivables (+/-)	35,078	(25,264)
Trade and other payables (+/-)	189,114	32,163
Other current liabilities (+/-)	(98,562)	(22,452)
Other non-current assets and liabilities (+/-)	(48,749)	(48,575)
Other cash flows from/(used in) operating activities	(302,297)	(308,347)
Interest paid (-)	(291,435)	(295,289)
Dividends received (+)	4,585	1,656
Interest received (+)	1	38
Payments (collections) by tax of benefits (- / +)	7	-
Other amounts paid (received) (-/+)	(15,455)	(14,752)
<b>Cash flows from/(used in) operating activities</b>	<b>(240,521)</b>	<b>(102,980)</b>



### Cash Flow Statement corresponding to the year ended 31 December 2020

	31/12/2020	31/12/2019
Cash flows from/(used in) investing activities		
Payments for investments (-)	(895,278)	(948,298)
Group companies and associates	(69,956)	(82,675)
Property, plant and equipment, intangible assets and investment property	(825,322)	(865,623)
Other financial assets	-	-
Proceeds from disposals (+)	195	195
Group companies and associates	195	195
<b>Cash flows from/(used in) investing activities</b>	<b>(895,083)</b>	<b>(948,103)</b>
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	445,919	<b>414,918</b>
Issue of equity instruments	311,574	311,574
Grants, donations and bequests received	134,345	103,344
Europe	132,152	103,169
Others	2,193	175
Proceeds from and payments for financial liability instruments	676,799	852,061
Issue	1,298,871	1,376,503
Bonds and other marketable securities	600,000	600,000
Loans and borrowings (+)	579,000	545,000
Other payables (+)	119,871	231,503
Europe	898	228,382
A.G.E	118,847	-
Others	126	3,121
Redemption and repayment of	(622,072)	(524,442)
Loans and borrowings (-)	(616,376)	(518,041)
Other payables (-)	(5,696)	(6,401)
<b>Cash flows from/(used in) financing activities</b>	<b>1,122,718</b>	<b>1,266,979</b>
<b>Net increase in cash and cash equivalents</b>	<b>(12,886)</b>	<b>215,896</b>
Cash and cash equivalents at beginning of year	366,221	150,325
Cash and cash equivalents at 31 December of year end	353,335	366,221

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Notes to the Annual Accounts  
31 December 2020**(1) Activity of the Entity and Legal Status**

The state-owned enterprise Entidad Pública Empresarial ADIF-Alta Velocidad (hereinafter ADIF-AV or the Entity) was created on 31 December 2013 following the approval of Royal Decree-Law 15/2013 of 13 December 2013 on the restructuring of the state-owned enterprise Administrador de Infraestructuras Ferroviarias (hereinafter ADIF) and other urgent economic measures.

ADIF-AV was created by spinning off the branch of activity involving the construction and running of ADIF's high-speed railway infrastructures, as well as other activities attributed to the new entity and entrusted to ADIF until this Royal Decree-Law entered force. ADIF retained the construction and running of conventional network rail infrastructures.

Due to the entry into force of this Royal Decree-Law 15/2013, Order PRE/2443/2013 of the Office of the Prime Minister was published on 27 December (hereinafter the Order or Order PRE/2443), identifying which of ADIF's assets and liabilities were to be transferred to the ownership of ADIF-AV. These assets and liabilities were to be integrated into and recognised by ADIF-AV at their carrying amounts, as indicated in the mentioned Order. Pursuant to this Order and the aforementioned Royal Decree-Law, for accounting purposes this spin-off was to take effect retrospectively from 1 January 2013.

Moreover, article 2 of Royal Decree-Law 15/2013, and Order PRE/2443/2013, governs the allocation to ADIF-AV of certain assets comprising the state-owned network, which were allocated to ADIF following the entry into force of Royal Decree-Law 4/2013, of 22 February 2013. This article stipulates that the transfer to ADIF and ADIF-AV of the title to these assets will be considered a free-of-charge transfer of assets associated with railway infrastructure administration, and should be carried out at the values taken from the financial information system and the records of the Ministry of Development, less any depreciation. The transfer of these assets took place at the moment Royal Decree-Law 4/2013, of 22 February 2013, came into force.

ADIF was established as a state-owned entity under the Basic Law of 24 January 1941 under the name Red Nacional de los Ferrocarriles Españoles (hereinafter RENFE). On 31 December 2004, Rail Sector Law 39/2003 of 17 November 2003 (hereinafter the RSL) entered into force, with the objective of incorporate various EU directives establishing a new framework for this sector in Spanish legislation and to completely re-organise the State rail sector, laying the foundations for new players to progressively enter this market. To achieve these objectives, rail infrastructure administration was regulated and entrusted to RENFE. Consequently, RENFE became Administrador de Infraestructuras Ferroviarias (ADIF), retaining its legal status as a state-owned entity. The RSL also foresaw the creation of a new state-owned entity, RENFE Operadora, to provide rail transport services, with this entity assuming the resources and assets used by RENFE to render rail transport services. Like ADIF, ADIF-AV and RENFE Operadora are subject to the RSL.

Through a modification to the ADIF statute set forth in Royal Decree 1044/2013 of 27 December 2013, ADIF-AV's statute was passed and its functions and responsibilities established, the main ones being the following:

- Construction of high-speed rail infrastructure forming part of the public service rail network, with a charge to equity and in accordance with provisions set out by the Ministry of Development, today known as the today Ministry of Transport, Mobility and Urban Agenda.

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- Construction of high-speed rail infrastructure with third-party funds, in accordance with the corresponding agreement.
- Running of the rail infrastructure owned by it.
- Allocation of capacity to requesting rail companies.
- Control and inspection of rail infrastructure, the protection areas and the railway circulation occurring thereon.
- Operation of owned assets.
- Additional services and, where the case may be, supplementary and auxiliary services for rail transportation in the infrastructures owned by it.
- Acquisition of electrical power to provide power supply to the rail system.

Pursuant to Royal Decree-Law 15/2013 and the RSL, the main sources of funding for ADIF-AV's activities include:

- State equity contributions, which are to make up ADIF-AV's own funds.
- Funds obtained from the management and operation of its assets and provision of services to third parties.
- Any EU funding it is allocated.
- Any grants that it may be allocated in the General State Budgets, as well as current transfers or capital contributions from the General State Administration (hereinafter AGE) and other government authorities.
- Borrowings, up to the annual limit set by the General State Budget Laws for each year.

**1.a) ADIF-Alta Velocidad statute**

ADIF-AV's statute was approved through Royal Decree 1044/2013 of 27 December 2013, which entered into force on 31 December 2013. The main aspects of the statute are as follows:

- ADIF-AV is a state-owned entity as provided for in article 43.1.b) of Law 6/1997 of 14 April 1997 on Organisation and Functioning of the General State Administration. This law primarily regulates the regime, organisation and operation criteria for the state administrative scheme within which state-owned entities are included. The Entity is part of this regime, falling under the Ministry of Development, today known as the today Ministry of Transport, Mobility and Urban Agenda.
- ADIF-AV, as a state-owned entity, is subject to provisions set forth in the General Budget Law 47/2003. As a result, it keeps separate accounting records for its different activities (rail infrastructure construction and administration activities, and additional, supplementary and auxiliary services) and is subject to financial oversight by the Spanish General State Comptroller (hereinafter IGAE) pursuant to the terms of Law 47/2003.

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- ADIF-AV was created by spinning off the branch of activity involving the construction and running of high-speed railway infrastructures, as well as other activities attributed to the entity and entrusted to Administrador de Infraestructuras Ferroviarias (ADIF) until its creation.
- ADIF-AV will assume all the functions assigned to ADIF by virtue of Rail Sector Law 38/2015 of 29 September 2015 (Law 39/2003 of 17 November 2003, previously) in respect of those infrastructures it has been assigned ownership of, as well as in connection with those infrastructures allocated in the future.
- The Ministry of Economy and Finance and the Ministry of Development, today known as the today Ministry of Transport, Mobility and Urban Agenda, may entrust ADIF-AV with administration of state-owned infrastructures through the corresponding agreements or public-private partnerships.
- In order to fulfil its objectives, ADIF-AV may have its own equity other than that of the General State Administration, comprising the assets, rights and obligations held in its name.
- Management, administration and operation of the assets and rights held by ADIF-AV are subject to the terms of the regulations creating the entity, to Rail Sector Law 38/2015 of 29 September 2015 and to the present statute, and, for all other aspects not regulated therein, to Law 33/2003 of 3 November 2003, on Public Authority Assets.
- In any event, the following assets and rights are considered to be held by ADIF-AV:
  - a. All assets (moveable and immovable) and rights that, at the date of its incorporation are owned by or assigned to Administrador de Infraestructuras Ferroviarias (ADIF), are assigned thereto by virtue of an order issued by the Ministry of Development and the Ministry of Finance and Public Administrations, in accordance with article 1.5 of Royal Decree 15/2013 of 13 December 2013.
  - b. All assets, whether they are inalienable property in the public domain or privately-owned assets, comprising the railways and that at the date of creation of ADIF-AV were owned by Administrador de Infraestructuras Ferroviarias (ADIF), where ownership thereof is allocated to the former.
  - c. All stations and terminals serving the high-speed lines, where ownership has been attributed to it, and other property assets that are permanently necessary for providing the services constituting its activity.
  - d. In addition, ADIF-AV will own the rail infrastructures that it builds or acquires with its own funds and those that fall to it by virtue of future agreements.
- At any point ADIF-AV may exercise, with respect to public assets it holds, the powers of administration, defence, policing, investigation, division and recovery of possession as granted to the General State Administration by Law 33/2003 of 3 November 2003, on Public Authority Assets. With respect to the aforementioned assets, ADIF-AV is entrusted with establishing the system of use and with granting the concessions, authorisations, leases and other titles that enable potential use by third parties.

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31 December 2020**1.b) Service arrangements between ADIF and ADIF-Alta Velocidad**

Article 22 of Rail Sector Law 38/2015 of 29 September 2015 foresees that administration of the rail infrastructure and, where applicable, construction thereof, will correspond, within the framework of state responsibility, to one or more state-owned entities falling under the Ministry of Development, having their own legal identity, full capacity to operate and their own assets. These entities will be governed by the Rail Sector Law, by Law 6/1997 of 14 April 1997 on the Organisation and Functioning of the General State Administration, by its statute and by any other applicable regulations.

ADIF-AV assumes all the functions assigned to ADIF by virtue of the Rail Sector Law 38/2015 of 29 September, in respect of those rail infrastructures it has been assigned ownership of, as well as those infrastructures allocated in the future.

Article 1.7 of Royal Decree-Law 15/2013, of 13 December, establishes that ADIF-AV and ADIF may entrust the performance of certain activities to each other by signing the appropriate agreement. These agreements must necessarily contemplate the financial compensation that would correspond to the entity in favour of which the entrustment is made, for the provision of the entrusted services.

In particular, both entities may entrust each other with the management of infrastructure capacity and, due to the interconnection of the networks whose administration is attributed to both entities, and as an exception to the provisions of Article 23.5 of the Rail Sector Act, also with the management of control, traffic and safety systems.

By virtue of resolutions issued by the chairmen of ADIF and of ADIF-AV on 31 December 2013, these entities mutually commissioned the performance of certain tasks. According to the subject resolutions, the conditions of the service arrangement will be set out in the corresponding agreements to be entered into by ADIF and ADIF-AV.

By virtue of the foregoing, the documents "Agreement between Administrador de Infraestructuras Ferroviarias (ADIF) and ADIF-AV to commission the latter to provide certain services" and "Agreement between ADIF-AV and Administrador de Infraestructuras Ferroviarias (ADIF) to commission the latter to provide certain services" were prepared.

As a result of these agreements, the corresponding addenda were drawn up and signed, which determined the services entrusted.

Given the time that has elapsed since the adoption of the management assignment agreements approved by the Boards of Directors of ADIF and ADIF AV, as well as the signing of the aforementioned agreement on 31 January 2014, and the Addenda signed, both entities considered it appropriate and necessary to update the activities assigned up to the current date, and to assign new technical and material activities, as they are necessary to perform the functions and meet the objectives of ADIF and ADIF AV.

By Agreement of the Board of Directors of the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) of 26 June 2019, it was agreed to approve and authorize the signing of the Service Agreement between the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) and the public business entity ADIF-AV, which entrusts the E.P.E. ADIF-AV with the execution of activities of a material or technical nature.

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In addition, this Board of Directors Agreement also supersedes the Board of Directors Agreement of 31 January 2014, which ratified the President Resolution of the public business entity Administrador de Infraestructuras Ferroviarias (ADIF) of 31 December 2013, to entrust certain tasks to the public business entity Administrador de Infraestructuras Ferroviarias ADIF- Alta Velocidad, published in Official State Gazette (BOE) No. 52 of 1 March 2014.

In execution of the ADIF Board of Directors Agreement of 26 June 2019, and having signed on 9 July 2019 the Service Agreement between ADIF and ADIF-AV that entrusts the E.P.E. ADIF-AV is responsible for material and technical activities, in compliance with the provisions of article 11, paragraph 3.a) of Law 40/2015 of 1 October on the Legal Regime of the Public Sector, on the formalization of management assignments, published in the Official State Gazette (BOE) of 8 August 2019.

The most relevant activities of a material or technical nature subscribed to in this Agreement are:

- integral environmental management
- reception, testing, from material quality control laboratories, audits and monitoring of quality and final work documentation, load tests and building inspections and processing of expenditure files,
- Processing of compulsory purchase cases where ADIF is the beneficiary,
- drafting of supervision reports for conventional line projects,
- Non-traction power supply-UDT

In accordance with the provisions of clause XVII of the Agreement of 9 July 2019, the Service Agreement and its annexes may be modified by mutual agreement between the parties, through the subscription of the corresponding addendum to the same.

Accordingly, the first addendum to the Service Agreement between ADIF and ADIF-AV, is published in the Official State Gazette (BOE) of 20 December 2019, for activities of a material or technical nature related to telecommunications.

Similarly, the second addendum to the Service Agreement between ADIF and ADIF-AV, was published in the BOE of 12 February 2020, for activities of a material or technical nature in functional planning and within the scope of the technical and working commissions of European international economic interest groups.

The Board of Directors of the public business entity ADIF AV, on 20 December 2019, agreed to approve and authorize the signing of the Service Agreement between the public business entity ADIF AV and the public business entity ADIF, which entrusts the E.P.E. ADIF with the execution of activities of a material or technical nature.

The "Agreement of the Board of Directors of ADIF-AV of 17 January 2014", published in the Official State Gazette (BOE) of 11 February 2014, is also voided, as is the "Agreement of the Board of Directors of ADIF-AV of 28 March 2014", published in the BOE of 26 April 2014, which entrusts certain tasks to the public business entity ADIF.

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In execution of the Agreement of the Board of Directors of the public business entity ADIF AV of 20 December 2019, and having been signed on 20 December 2019, the Service Agreement between ADIF AV and ADIF, which entrusts ADIF with the execution of activities of a material or technical nature, is published in the BOE of 10 February 2020.

The activities of a material or technical nature subscribed to in this agreement are:

- Comprehensive maintenance management of the operating lines owned by ADIF-AV
- Comprehensive management of stations assigned to ADIF-Alta Velocidad.
- Traffic Safety
- TIC Services. Information and Communication Systems and Technologies.
- Telecommunications, voice and data
- Integral management of protection and security
- ADIF AV Comprehensive Risk Management
- Design, implementation and monitoring of the environmental sustainability strategy and policy
- Comprehensive brand management
- Direction, impulse and coordination
- Innovation.
- Telecommunications.
- Management Control in the areas of Electrical Energy and Fibre Network Management of ADIF-AV
- Integral attention to the regulatory compliance and personal data protection function (DPD).
- Asset management.
- Capacity allocation and traffic management, as well as all associated activities.
- Legal advice.
- Human resources.
- Internal audit.
- International scope.
- Occupational risk prevention, health and safety at work.
- Communication and corporate reputation of ADIF-Alta Velocidad.
- Comprehensive management of assets owned by ADIF-Alta Velocidad.



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- Construction of the Air Contact Line, Installations, Piloting, Opening of Stations, Materials Logistics and Management of Rolling Stock for Testing.
- Contractual management of ADIF-Alta Velocidad files.
- Management of general services and the buildings and spaces destined for offices of Adif-Alta Velocidad, as well as for the management of singular architectural actions of Adif-Alta Velocidad.
- Economic-Financial and Corporate Services of the Entity
- Construction of substations, signalling installations, stations and commissioning of lines entrusted to ADIF-Alta Velocidad.
- Comprehensive management and coordination of urban integration operations of the railway and the companies and other entities in which ADIF-Alta Velocidad participates.
- Preparation and processing of the declaration document on the ADIF-Alta Velocidad network.

**1.c) Other provisions**

- The second additional provision of Royal Decree-Law 22/2012 of 20 July 2012 assigned ADIF ownership of the connection of the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed line (Vandellós-Tarragona area) and the A Coruña-Vigo stretch of the Atlantic Axis, which had been built by the state prior to the commissioning of ADIF for completion of both infrastructures. By virtue of Order PRE/2443/2013 of 27 December 2013, ADIF-AV was assigned ownership of the high-speed Atlantic Axis (Santiago de Compostela-Vigo stretch).
- Article 34 of Royal Decree-Law 4/2013 of 22 February 2013 established the transfer to ADIF of ownership of the state rail network, as well as administration of the same. Section 1 of the article states that:

"ownership of the rail infrastructures and stations comprising the state-owned network whose administration is entrusted to ADIF will be transferred to the state-owned entity Administrador de Infraestructuras Ferroviarias (ADIF) upon entry into force of the present Royal Decree-Law", namely on 23 February 2013.

In addition, article 2 of Royal Decree-Law 15/2013 of 13 December 2013 on the restructuring of the state-owned enterprise Administrador de Infraestructuras Ferroviarias (ADIF) establishes the allocation to ADIF-AV of the infrastructures delivered to ADIF by the state by virtue of Order PRE/2443/2013 of 27 December 2013 identifying the assets and liabilities forming part of the Entity.

In light of the foregoing, in 2013 ADIF-AV was allocated ownership of the infrastructures, stations and other installations in use or under construction delivered by the State to ADIF in 2013, as follows:

- High-speed Madrid-Cuenca-Valencia line and high-speed link with Albacete and Alicante
- Valencia-Vandellós stretch of the Mediterranean Corridor

## Notes to the Annual Accounts 31 December 2020

- Santiago de Compostela-Vigo stretch of the high-speed Atlantic Axis
- Castellón de la Plana Station
- The fibre optic network, as well as repeater towers and auxiliary installations located along the Orense-Santiago stretch of the high-speed Galicia line.
- Order FOM/2438/2013 of 17 December 2013 establishes the list of personnel of the state-owned entity Administrador de Infraestructuras Ferroviarias that will form part of the state-owned entity ADIF-AV.
- In resolutions dated 27 June 2014, the Council of Ministers approved the transfer from ADIF to ADIF-AV of ownership of the following assets:
  - a) Stretches of the Iberian gauge rail network linking the cities of Plasencia, Cáceres, Mérida and Badajoz
    - Monfragüe-Plasencia stretch: from km 0/00 to km 16/700
    - Monfragüe-AG stretch km 44-Monfragüe Ag. km 255.4: from km 0/000 to km 2/700
    - Madrid-Valencia de Alcántara line: from km 251/625 to km 332/833
    - Aljucén-Cáceres line: from km 0/000 to km 65/443
    - Ciudad Real-Badajoz line: from km 453/000 to km 512/351
  - b) Bobadilla-Granada stretch of the Iberian gauge rail network
  - c) Loja Station

The Council of Ministers determined that the transfer would be made free of charge, as the assets were used in the administration of rail infrastructures, and would be valued at the net book value in ADIF of the assets subject to transfer, recognising the gross cost and the depreciation accumulated at the transfer date. The net book value of the assets transferred to ADIF-AV in June 2014 amounted to 71,321 thousand euros.

- The Council of Ministers, in its agreements dated November 24, 2017 approved the transfer of ADIF to ADIF AV from the ownership of the network segment railway between León and La Robla. The agreement establishes a free transfer by registering ADIF AV the assets received by its gross cost and its accumulated depreciation until the transfer date, being its Net book value of 47,892 thousand euros. The formal delivery certificate was subscribed by ADIF and ADIF AV on November 30, 2017.
- In 2018, the Council of Ministers approved the assignment of different sections of the RFIG from ADIF to ADIF AV, free of charge. These transfers were motivated by the high-speed adaptation works that ADIF AV will undertake. The detail of the transfers is as follows:
  1. La Encina - Xátiva section: with a length of 38 km. The agreement of the Council of Ministers took place on February 23, 2018, formalizing its delivery through a formal document signed between ADIF and ADIF AV on May 25, 2018 for a net book value of 116,123 thousand euros.

## Notes to the Annual Accounts 31 December 2020

2. Taboadela - Ourense section: with a length of 14 km. In a meeting held on April 6, 2018, the Council of Ministers agreed to transfer this section, formalizing its ADIF delivery note to ADIF AV on May 25, 2018 for a net book value of 9,945 thousand euros.
  3. El Reguerón - Cartagena - Escombreras section: with a length of 67 km. The agreement of the Council of Ministers was signed on May 25, 2018, signing its formal delivery of ADIF to ADIF AV on 26 September, 2018 for a net book value of 30,395 thousand euros.
  4. Section Astigarraga - Irún: with a length of 25 km. At the meeting of the Council of Ministers held on May 25, 2018, the transfer of the aforementioned section of ADIF to ADIF AV was formalized and its delivery was formalized by means of a signed document on 26 September, 2018 with a net book value of 82,875 thousand euros.
- The resolution of the Secretary of State for Infrastructure, Transport and Housing, dated 23 May 2014, entrusts ADIF and ADIF-AV, in their respective areas of responsibility, with construction and works for the public service rail network, as put to tender and awarded by the Ministry of Development, determining that the construction will be made using ADIF or ADIF-AV's resources, as applicable.
  - On 21 December 2009, the Ministry of Development, the Catalonia Regional Government, the Barcelona City Council, ADIF and RENFE Operadora signed an addenda to the collaboration agreement entered into on 12 June 2002 in connection with the high-speed network in the city of Barcelona and the corresponding remodelling of railway infrastructures. The addenda establishes the contribution from the General State Administration to ADIF of a total of 255,000 thousand euros, to finance the Sagrera Station, distributed in annual payments of 51,000 thousand euros from 2009 to 2013.
  - In 2019, pursuant to article 134.4 of title VII of the Spanish Constitution, the extension of Law 6/2018, of July 3, of the General State Budgets for 2018 has taken place. Consequently, for that year, it has recorded a financial contribution for ADIF-AV of 311,573.95 thousand euros and an authorization has been established for the net increase in debt of 1,890,000 thousand euros.
  - In 2020, by virtue of Article 134.4 of Title VII of the Spanish Constitution, Law 6/2018 of 3 July on the General State Budget for 2018 and 2019 was extended. Consequently, for 2020, an equity contribution for ADIF-AV of 311,573.95 thousand euros was appropriated and an authorisation for a net increase in indebtedness of 1,890,000 thousand euros was established. In addition, on 14 December 2020, the Minister of Finance authorised a budget modification that has led to the collection in December 2020 of 118,847 thousand euros as a subsidy for investments in Trans-European Transport Network (TEN-T) corridors. (See note 8.a).
  - Law 11/2020 of 30 December 2021 General State Budget Act 11/2020 appropriated a capital contribution of 466,173.95 thousand euros for ADIF AV in 2021. Likewise, a current transfer to finance the administration of the network under its ownership of 50,000 thousand euros has been included in the 2021 General State Budget for 2021. In addition, an authorisation for a net increase in indebtedness of 1,500,000 thousand euros has been established.

Notes to the Annual Accounts  
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Law 38/2015, of 29 September, on the Railway Sector (LSF) incorporates into Spanish law the rules contained in Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012, which cover almost all areas of railway legislation, including those relating to the transparency and sustainability of railway infrastructure financing, a new and more complete classification of railway-related services and the establishment of new and more precise rules on charging for access to railway infrastructure.

Title VI of the LSF regulates the economic and taxation system of the railway sector in an attempt to strike a balance between the economic viability of the system and the promotion of rail transport. The aim is to provide incentives to improve the operation of the network, reduce disturbances, optimise the use of the infrastructure and reduce the costs of making it available.

It regulates the legal structure of charges for the use of railway lines, for the use of service facilities and revises the fee system for the provision of services, advancing towards free access to service activities without compromising the sustainability of the railway infrastructure.

It also establishes the criteria for classifying lines in order to link the railway fee to the potential profitability of the market; it establishes the criteria for classifying passenger transport stations in order to take into account the economic capacity of the associated services to determine the amount of the fee; and it regulates the bonuses and discounts on the amount of fees payable by operators with the aim of promoting the development of railway services and the more efficient operation of lines.

Article 23 of the LSF establishes the functions of the general managers of railway infrastructures, including the determination, revision and collection of railway infrastructure charges in accordance with the applicable legal and regulatory regime.

For its part, Article 100 of the LSF establishes that the proposal for modification or revision of the amounts of fees shall be prepared by the rail infrastructure manager, that this proposal shall be subject to consultation with railway undertakings and to a report by the National Commission for Markets and Competition, and that it shall establish the specific values of the parameters of the fees which shall be sent to the Ministry of Development for inclusion in the preliminary draft of the General State Budget Law.

Although the general rail infrastructure manager ADIF-Alta Velocidad prepared a proposal for the 2020 fees, which was submitted for consultation with the railway companies and a report by the National Commission for Markets and Competition, the fees applied in 2020 were approved by Law 6/2018 on the General State Budget for 2018, as this law was extended until the approval of the General State Budget Law for 2020, which has not been approved.

On 30 December 2020, Law 11/2020 of the General State Budget for 2021 was approved, which includes in its article 80, the unit rates of railway charges prepared by the infrastructure manager, applicable from 1 January 2021 and with indefinite validity.

However, in order to mitigate the effects of the crisis caused by COVID-19 on rail transport, the sixth transitional provision temporarily modifies the unit rates of railway charges, leaving without effect the unit rates provided in Article 80 during the period between 1 January and 31 December 2021, during which the rail infrastructure manager will apply the unit rates included in the sixth transitional provision itself.

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The following is a list of the current charges in force

Fees for the Use of Railway Lines of the RFIG managed by ADIF - Alta Velocidad.

It constitutes the taxable event of the charge for the use of the railway lines for the members that make up the RFIG, as well as the provision of services inherent to said use, in the following modalities:

- a) Charge for Use of Charge for allocation of capacity (Module A): for the assignment service of those time slots, defined in the declaration on the network, to the corresponding candidates so that a train can circulate between two points during a certain period of time. The costs of the process of capacity allocation, traffic management, security in the circulation and the replacement of the security and control facilities of the traffic, directly attributable to the operation of the rail service. The amount will be determined by each train-kilometre awarded, distinguishing by type of affected line and type of service.
- b) Charge for the use of railway lines (Module B): for the action and effect of using a railway line. The costs of maintenance and conservation of railway infrastructure, directly attributable to the operation of the rail service. The amount will be determined by each train-kilometre circulated distinguishing by type of line and type of service.
- c) Charge for the use of the transformation and distribution facilities of the electric power of traction (Module C), by the action or effect of using the electrification installations of a railway line. The costs will be passed on maintenance and conservation of electrification facilities and their Replacement costs, directly attributable to the operation of the service railway. The amount will be determined by each train-kilometre circulated by lines electrified railways distinguishing by type of line, type of service and type of traction.

Fee for the use of the Service Facilities owned by the general managers of railway infrastructures.

It constitutes the taxable event of the charge for the use of the service facilities and infrastructure referred to in Article 98 of the LSF, as well as the provision of public services or activities inherent to said use, in the following modalities:

- A. Charge for the use of passenger transport stations (Module A). The costs associated with the maintenance and conservation of stations, their replacement and the provision of the minimum basic services of the stations, financial expenses in the case of stations classified in the category 6, as well as the monitoring service of the stations and the control of access of travellers and their luggage. The amount is determined according to the category of the station, type of stop, type of train and number of travellers.
- B. Charge for passage through width changers (Module B). It is calculated according to of the steps of each train by a width changer.

The costs associated with the maintenance and replacement of the gauge changers shall be passed on.

- C. Charge for the use of platforms in parking stations of trains for commercial passenger services and other operations (Module C).

The costs associated with the maintenance and upkeep of the facilities used will be passed on.

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For the purposes of this fee, the following two rates are established:

C.1) By parking of trains for commercial services of travellers without other operations.

C.2) By parking trains for other operations.

D. Charge for the use of roads in other service facilities: section, of formation of trains and manoeuvres, maintenance, washing and cleaning, fuel supply (Module D).

The costs chargeable under this type of charge are those directly attributable to the use of the tracks for the maintenance and replacement of the facilities.

E. Charge for the use of loading points for merchandise (Module E).

The costs chargeable under this type of charge are those directly attributable to the use of the tracks for the maintenance and replacement of the facilities.

### **(2) Basis of Presentation of the Annual Accounts**

#### **2.a) Fair presentation**

The annual accounts have been prepared in accordance with the accounting records of the Entity, in order to show the true image of the assets and the financial situation as of 31 December, 2020 and the results of its operations, changes in the net equity and cash flows for the period from 1 January, 2020 to 31 December, 2020.

ADIF-AV presents the annual accounts in accordance with the accounting principles and measurement standards set out in Royal Decree 1514/2007 of 16 November 2007, approving the General Chart of Accounts and applying, among other aspects, the going concern basis in accordance with the legal and statutory regime described in Note 1, as well as the modifications to the General Chart of Accounts incorporated by virtue of Royal Decree 1159/2010 of 17 September 2010, and Royal Decree 602/2016 of 2 December 2016 and on the basis of the accounting principles and criteria set by the Spanish General State Comptroller (IGAE) through the resolution dated 30 December 1992 (hereinafter the Resolution), which continues in force in all aspects not in opposition to the provisions of the subject General Chart of Accounts. In addition, in preparing the financial statements the Entity has taken into account Order EHA/733/2010 of 25 March 2010, published in the Official State Gazette of 26 March 2010, approving accounting practices for state-owned companies operating in certain circumstances.

Furthermore, in the preparation of these interim financial statements the Entity also considered the IGAE opinion relating to accounting policies as expressed through answers to questions presented by ADIF in accordance with Law 47/2003, of 26 November 2003. Significant accounting policies are disclosed in Note 3.

#### **2.b) Comparative information**

The Entity's Management presents, for comparative purposes, with each of the items in the balance sheet, the profit and loss account, the statement of changes in equity, the statement of cash flows and in the notes to the annual accounts, as well as of the figures for the financial year 2020, those corresponding to the previous year that were part of the annual accounts for 2019 approved by the Board of Directors of ADIF AV dated 31 March, 2020.



Notes to the Annual Accounts  
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Preparation of the interim financial statements requires that certain estimates be made, based on past experience, the assessment of certain risks (see note 22) and other factors considered reasonable in the current circumstances, which serve as a basis to establish the value of assets and liabilities where this cannot be easily determined using other sources. The Entity revises its estimates continuously. However, in light of the inherent uncertainty, there is a considerable risk that the assets and liabilities involved could require significant adjustments in the future, in the event of a major change in the assumptions, facts and circumstances on which the estimates are based.

Key assumptions concerning the future and other relevant data on the uncertainty of estimates and important judgements in the application of accounting policies at year end, which entail a considerable risk of significant changes in the value of assets and liabilities in coming years, are as follows:

- Depreciation of high-speed rail infrastructure: depreciation of property, plant and equipment included in the high-speed railway infrastructure requires the use of estimates to determine the useful life and impairment deriving from normal activity and usage. Management of the Entity has had to estimate depreciation based on the use of these installations over their useful life, considering different assumptions regarding fluctuations in rail traffic in line with expected demand.
- Deferred tax assets: when determining the amount of deferred tax assets and tax credits to be recorded, Management of the Entity measures the probability of generating future tax profits, as well as the amount and timing of such profits (see Note 12.a).
- Impairment of non-financial assets (see Note 3(b)).
- Property, plant and equipment for railway infrastructures executed by various integration companies in which the Entity participates under the Integration Agreements of which they bring cause (see notes 3.b and 3.i). The infrastructures put into service are recorded as property, plant and equipment even if their formal delivery has not occurred, provided that future economic returns are expected through their exploitation and a reliable valuation of their cost is available. The realization of these estimates requires the application of relevant professional judgments to classify the infrastructures executed, which are complex in nature, such as railways or urban development, as well as to allocate certain costs necessary for the development of the global project entrusted to the aforementioned companies. The final allocation to the partners must be agreed within each of them, so there is uncertainty about the final attribution of the various assets to each of its shareholders.
- Determination of the commercial or non-commercial nature of the non-financial fixed asset swaps.
- Impairment of the value of the credits granted to group companies and associates, (see note 3 (i))
- Provisions for liabilities and charges: provisions are recognised when it is probable that a present obligation resulting from a past event will give rise to an outflow of resources and the amount of the obligation can be reliably estimated. Entity Management makes estimates based on an evaluation of all relevant information and events, of the

## Notes to the Annual Accounts 31 December 2020

probability that a contingency will materialise, and of the amount of the liability to be settled in the future. (see Note 3.i).

These estimates have been made on the basis of the best information available up to the date of preparation of these annual accounts. Any future events not known at the date of preparation of these estimates could lead to modifications (up or down), which would be carried out, where appropriate, prospectively.

### **2.d) Functional and presentation currency**

The annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the Entity, rounded to the nearest thousand, unless otherwise stated.

## **(3) Significant Accounting Policies**

### **3.a) Intangible assets**

Intangible assets basically comprise the rights of use of space owned by ADIF AV acquired from Renfe Operadora in 2020 and 2015, the origin of which comes from the OM FOM/2909/2006, of 19 September, which established a right of use without consideration to RENFE-Operadora of certain spaces located, principally in passenger stations. The aforementioned Ministerial Order established that these rights of use would be replaced at a later date by the properties that it was agreed to assign to the company's assets. For this purpose, ADIF AV had recognised a provision for contingencies and expenses amounting to 21,952 thousand euros up to 2014, corresponding to the estimated replacement costs of these spaces to be delivered in usable condition.

The Entity values the rights of use acquired in the aforementioned years at the present value of the acquisition price from RENFE Operadora. In the case of the rights of use acquired in 2015, the provision for risks and expenses that the Entity had set up to meet the replacement costs for the delivery of the properties that should replace these spaces in suitable conditions of use was deducted from this value. These fixed assets are presented net of the related accumulated depreciation provided on a straight-line basis over their respective useful lives. To calculate the useful life of these assets, the Entity has based itself on business plans prepared for this purpose for the rights acquired in 2015 and for those relating to 2020, which consider the cash flows generated by the leases agreed with RENFE Operadora and its group of companies, as well as those that it considers likely to be obtained from other third parties. These business plans consider various assumptions of variations in space occupancy, variations in price indices and interest rates in line with current real estate and financial market conditions. The Entity has estimated a useful life of 75 years for rights of use acquired in 2015 and 30 years for rights of use acquired in 2020.

In addition, the Entity has included in the section of intangible assets, computer software and research and development, specifically the technology platform linked to rail traffic management "Da Vinci". This technology platform has been assigned a useful life in line with those of the security and signalling installations it supports, namely 25 years. Intangible assets are stated at cost of acquisition or production, net of accumulated amortisation, which is calculated on a straight-line basis or, in the case of assets linked to high-speed lines, using the increasing balance method, in accordance with the following estimated useful lives:



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	<u>YEARS</u>
R&D expenses	25
Computer software	5

R&D expenses are recognised as intangible assets of the Entity when the following conditions are met:

- They are segregated by project, and the cost is established so that it can be distributed over time
- There is evidence of the project's technical success and the economic profitability of the project.

### 3.b) Property, plant and equipment

The fixed assets attributed to ADIF-AV can be classified into the following categories:

- Publicly owned railway assets: these assets include railway lines, the land on which they are located and installations built in the public property zone (article 27 of the RSL). According to article 13 of the RSL, the public property zone includes the land on which the lines forming part of the public service rail network are laid, as well as an eight-metre strip of land on either side of the track bed, with special rules depending on the associated infrastructures (tunnels, bridges, etc.). Most of the assets contributed to ADIF-AV are considered to be publicly owned assets. In order to dispose of these assets, their legal status would first need to be amended through delisting from this category by way of a resolution from the Entity's board of directors declaring them to be unnecessary [article 16, section 1, point q) and article 31 of Royal Decree 1044/2013]. As a result of this delisting, the assets in question would be included among the Entity's own assets (under the Entity's private ownership) and could then be disposed of or exchanged.
- Privately-owned assets: those not covered by the legal definition of publicly owned railway assets. ADIF-AV's privately-owned assets comprise stations, terminals or other buildings or installations used for passenger services, except for the railway lines and land mentioned above. Nevertheless, if any of these assets (stations, terminals or other buildings or installations for services linked to rail transport) were acquired as a result of a compulsory purchase order, despite being included among the Entity's own assets under the Rail Sector Law and Regulation, in the interests of legal certainty such assets would undergo the same category delisting procedure foreseen for publicly owned assets, as set forth in article 66.2 c) of Law 33/2003 of 3 November 2003, on Public Authority Assets. Finally, this category could also comprise all buildings associated with railway lines that have been closed down or abandoned.

- ***Cost of property, plant and equipment***

Items of property, plant and equipment are presented in the balance sheet at cost, less any accumulated depreciation or impairment allowances. The general criteria used for valuing these items is the cost of acquisition or the cost of production, including materials, direct labour and costs incurred.

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Borrowing costs related with the loans extended by the European Investment Bank (hereinafter EIB) and by other financial institutions, as well as those derived from fixed-income securities issues, to finance railway infrastructure under construction that requires more than one year to become operational are recognised as an increase in the cost of these assets. In cases where a high-speed line is in partial use, the Entity has estimated and capitalised borrowing costs relating only to the stretches under construction in proportion to the total cost of the investment therein. The capitalisation of the cost of production is made through the heading "Capitalised financial expenses" in the profit and loss account.

The cost of expansion, modernisation or improvements that increase productivity, capacity or efficiency, or extend the useful lives of the assets, are capitalised as an increase in the cost of these assets. Repair and maintenance costs are expensed when incurred.

Funds earmarked for maintenance and conservation of Spanish heritage sites, as established in Law 16/1985, Royal Decree 111/1986 and Instruction No. 43 from the Sub-Secretary for Development of 16 May 2014, are also capitalised as an increase in the cost of the associated assets. The aforementioned laws stipulate that the budget for each public project entirely or partially financed by the State should include an item equivalent to 1.5% of the funds contributed by the State to finance this type of work.

Work carried out by the Entity to improve or extend the useful lives of its assets is treated as an investment and recognised at the accumulated cost, which is the sum of external costs (based on suppliers' invoices), internal costs (determined on the basis of in-house consumption of materials in warehouses) and all other costs incurred. Capitalised production costs are recognised under self-constructed assets in the income statement.

Where applicable, the initial cost of property, plant and equipment is corrected when differences arise between the non-deductible input VAT initially recognised by the Entity as cost and that which is finally applicable when an interpretation of tax legislation is amended or is established by a court of law or the tax authorities.

The Entity classifies acquisitions of property, plant and equipment through barter exchange, entailing the acquisition of an item of property, plant and equipment in exchange for non-monetary assets or a combination of monetary and non-monetary assets, in commercial or non-commercial barter exchange transactions, using the following criteria:

- a) Barter exchange in which the cash flows from the assets received differ significantly from the cash flows from the asset delivered, or when the present value of the post-tax cash flows deriving from the activities affected by the transaction changes as a result of the barter exchange, are considered commercial barter exchange.
- b) Other barter exchange is considered non-commercial barter exchange.

In the case of non-commercial barter exchange, the Entity measures the asset received at the net carrying amount of the asset delivered, plus any monetary consideration received, up to the fair value of the asset received.

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In the case of a swap, the asset received is measured at the fair value of the asset given, increased, if appropriate, by the amount of monetary consideration received, unless there is clearer evidence of the fair value of the asset received and subject to a limit on the fair value of the asset received.

According to the Order PRE/2443/2013 mentioned in note 1, assets and liabilities transferred from ADIF to ADIF-AV have been integrated into and recognised by ADIF-AV at those carrying amounts as accounted for in ADIF at the spin-off date.

The criteria used to value rail infrastructure by ADIF-AV are as follows:

- a) Infrastructure constructed by the Entity was measured using the cost of construction plus the cost of preparing directly-related reports, blueprints, drafts, studies, technical assistance, surveillance, etc., the cost of supplementary studies and reports necessary for planning and designing lines, work carried out for assets and non-deductible input VAT. Also included, as a higher cost of infrastructure, is the best estimate available at the closing date, of the current amounts claimed by contractors of works or expropriated, which the Entity considers likely to generate a future outflow of resources, and which correspond inter alia to differences in the measurements of works and to claims of costs linked with increases in execution times over those originally planned.
- b) Other infrastructures received from the seconding State were valued at an amount equal to that contained in the corresponding subrogation certificates, at the purchase price or production cost incurred by the Ministry of Development, in accordance with the data contained in its Accounting Information System and in its accounting records, deducting its accumulated amortization on the date of transfer. However, if subsequent to the initial valuation, changes are shown in the values included in the corresponding delivery documents or other provisions by which railway infrastructures are transferred to ADIF-AV or new investments related to the lines or sections are identified previously assigned, these adjustments are recorded in the year in which the new values are known and the corresponding rectifying minutes are signed or the aforementioned provisions are modified.
- c) The assets relating to Madrid-Sevilla high-speed rail line, transferred by the State to RENFE through the Submission and Receipt Agreement, were valued by the Ministry of Development at cost, less accumulated depreciation at 31 December 2004, calculated using the depreciation criteria applied by RENFE based on the type of asset and the date of its entry into service.
- d) Investments underway and in operation on the high-speed Atlantic Axis and the Mediterranean corridor connection were allocated to ADIF for no consideration, in accordance with the second additional provision of Royal Decree-Law 22/2012 of 20 July 2012, and were spun off to ADIF-AV as per the Spin-Off Order. These assets were constructed by the State before ADIF was commissioned to operate both sets of infrastructure through respective rulings issued by the Secretary of State for Infrastructure on 11 May 2012. These items and work in progress were recognised at the amount of 2,476,419 thousand euros, which corresponds to the acquisition price or cost of production incurred by the Ministry of Development based on data contained in its financial information system and accounting records, less accumulated depreciation at the transfer date. This amount is equivalent to the fair value of these assets, since it was

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defined in the context of the tenders provided for under legislation applicable to the General State Administration and results from a public tender process conducted between knowledgeable independent parties.

- e) In respect to the infrastructures built by the Sociedad Estatal de Infraestructuras del Transporte Terrestre, S.A. (Hereinafter SEITTSA) on the L.A.V. Madrid – Galicia, these were delivered to ADIF AV in accordance with the provisions of the Agreement signed on August 25, 2015 by the mentioned Entity, ADIF and the Ministry of Development (hereinafter referred to as the Recast Convention or the Convention). The aforementioned agreement establishes that the delivery of these assets will be considered as a free transfer of assets assigned to the activity of railway infrastructure management. ADIF AV would recorded these assets at the acquisition price or the cost of production for which SEITTSA had valued them in its books and which were previously paid by the AGE to the Company.
- f) Land and natural assets are valued on the basis of the amounts paid for expropriations. In the event that this is not available due to very old expropriations or without sufficient supporting documentation, they are valued at the acquisition value of adjoining land expropriated in similar years.
- g) The assets transferred by ADIF to ADIF-AV under the Agreements of the Council of Ministers mentioned in note 1 are valued in accordance with the provisions of these agreements for the book value for which they were posted in ADIF, recognizing in ADIF AV by their gross cost and accumulated depreciation up to the date of transfer (see note 1.c).
- h) The infrastructures executed within the framework of the Agreements for the integration of the railroad in the cities, which are carried out either by commercial companies created for this purpose or directly by one or more of the entities that have signed the aforementioned agreement, are valued with the best estimation of the construction costs incurred and that have been necessary for putting it into operating conditions.

In those cases in which the Agreement establishes the obligation to finance all the actions through monetary contributions of all or some of the entities that are subscribed to them, the costs corresponding to certain provisional works or to urban integration infrastructures, such as the walls and slabs derived from the execution of burials or coverings, whose basic purpose is to achieve permeability between different areas of a city, are included in the value of railway infrastructures, by means of reasonable imputation criteria, up to the limit of the contributions assumed by the Entity. In the event that the agreement does not foresee that the Entity will assume the financing of the infrastructures contemplated therein through monetary contributions, the aforementioned burials or coverings, considered as urban infrastructures, are not, in general, integrated into the ADIF Alta Velocidad's asset.

ADIF-AV records in its fixed assets both the railway infrastructures received by means of delivery and / or through a standard with the rank of Law, Royal Decree, agreement of the Council of Ministers or Ministerial Order, as well as any other railway infrastructures and stations that, forming part of the network of its ownership whose administration is entrusted, have entered into service, although they are not subject to formal delivery by means of a Minute, Royal Decree or Ministerial Order, provided that economic returns are expected through exploitation and a reliable valuation is available of its cost.

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- **Transfers from work in progress:**

The Entity reclassifies work in progress to fixed assets according to the nature of the asset at the date on which the works become operative state.

- **Depreciation of property, plant and equipment**

- Depreciation of high-speed rail infrastructure

High-speed rail infrastructure is generally depreciated using an increasing balance method at an annual geometric progression of 3%, over the following estimated useful lives:

	Years
<b>Track bed</b>	
- Earthmoving	100
- Stone and brick works	100
- Tunnels and bridges	100
- Drainage	25
- Enclosures	50
<b>Track superstructure</b>	30-60
<b>Electric installations</b>	
- Overhead lines	20
- Supporting elements for overhead contact system	60
- Electric substations	60
- Signalling, safety and communications installations	25
<b>Buildings and other constructions</b>	50
<b>Rolling stock</b>	10-20

- Depreciation of other property, plant and equipment.

Depreciation of other property, plant and equipment is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
<b>Buildings and constructions</b>	50
<b>Transport elements</b>	10 – 30
<b>Other items of property, plant and equipment</b>	5 – 40

The Entity reassesses the useful lives of its property, plant and equipment every year.

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• **Impairment**

In application of Ministry of Economy and Finance Order EHA/733/2010 of 25 March 2010, the Entity has considered that its property, plant and equipment should be fundamentally classified as non-cash-generating assets, considering that these are part of the public interest rail network infrastructure and essentially held for the socioeconomic benefit of the public and, therefore, not for commercial gain. In cases where it is not clear whether assets are held for the main purpose of generating cash flows, rule two from the above-mentioned Order is applied whereby, given the general objectives of the Entity, these assets are assumed to be non-cash-generating.

In accordance with rule two of the aforementioned Ministerial Order, at least at year end, management of the Entity assesses its property, plant and equipment, intangible assets and investment property for indications of impairment, in which case should estimate the recoverable amount.

When assessing whether there are any significant indications that an asset is impaired, the Entity takes the following circumstances into account:

- Significant changes in the technological, regulatory or legal environment in which the Entity operates, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- Significant decline in the asset's market value, if one exists and is available, in excess of that expected due to the passage of time or normal use.
- Evidence of obsolescence or physical deterioration of the asset.
- Significant changes in the method of or scope for using the asset, either during the year or which are expected to arise in the short term, which will adversely affect the Entity.
- There are reasonable doubts as to whether the technical performance of the asset can be maintained in the future, on the basis of the forecasts considered at the date of its recognition by the Entity.
- Suspension of the asset's construction before it is ready to enter into service.
- Cessation of or significant reduction in demand or need for the services rendered with the asset. Nevertheless, a mere reduction in demand does not necessarily indicate that these assets are impaired, as the demand or need for these services may fluctuate over time.

In that regard, the Entity has categorised its assets into operating units which can be assessed for indications of impairment. These units are essentially the railway lines or axes forming the public service rail network in which the assets are utilised. The different operating units considered are listed below:

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- Axis 11 of AV Madrid Chamartín - Valladolid – León.
- Axis 12 of AV Madrid Atocha - Barcelona - French border.
- Axis 13 of AV Madrid Atocha - Levante.
- Axis 14 of AV Madrid Atocha - Toledo - Seville Santa Justa - Málaga María Zambrano.
- Axis 16 of AV Olmedo - Medina del Campo - Zamora - Galicia.

According to rule four from the above-mentioned Ministerial Order, at least at year end the Entity should recognise impairment losses if the carrying amount of operating units exceeds their recoverable amount on the date the analysis is carried out. Recoverable amount is the higher of fair value less costs to sell and the value in use, which is the depreciated replacement cost.

After this impairment loss or reversal of an impairment loss is recognised, the depreciation charge for the asset is adjusted in future periods based on its new carrying amount. If the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the income statement.

### **3.c) Investment property**

Investment property comprises property which is earmarked totally or partially to earn rentals or for capital appreciation or both. Property that is being constructed for future use as investment property is classified as property, plant and equipment under development until construction is complete. The Entity measures and recognises investment property following the policy for property, plant and equipment.

Investment property is generally depreciated on a straight-line basis over an estimated useful life of 50 years.

Income from real estate operating leases is recognised in the income statement in the year in which it is earned. Rent received in advance are recognised as accruals under liabilities in the balance sheet and taken to profit and loss over the term of the contract signed with the lessee.

### **3.d) Financial assets**

- Equity investments in Group companies and associates

This item includes investments in companies over which the Entity has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Entity or other entities, are considered when assessing whether an entity has significant influence.

Non-current investments in Group companies and associates are initially measured at cost, which is the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, these financial assets are measured at cost net of any accumulated impairment losses, which are recognised when there is evidence that the carrying amount of an investment is not recoverable. The



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impairment loss reflects the difference between the carrying amount and the recoverable amount, understood as the higher of the fair value of the asset less costs to sell and the value in use. Accordingly, value in use is calculated to the extent of the Entity's interest in the present value of estimated cash flows from ordinary operations and the proceeds generated on final disposal, or the estimated cash flows from the distribution of dividends and final disposal of the investment. However, in certain cases, when estimating possible impairment, unless better evidence is available, the Entity considers the equity of the investee, corrected for unrealised gains and losses existing at the measurement date, relating to identifiable balance sheet items.

Nonetheless, when the carrying amount of an investment has been reduced to zero, the additional losses and the corresponding liability are recognised to the extent that the Entity has incurred a legal, contractual, constructive or tacit obligation, or if ADIF-AV has made payments on behalf of this Group company, jointly-controlled entity or associate. (see Note 3.i)

- Loans and receivables

This category includes trade and non-trade receivables with fixed or determinable payments, which are not traded in an active market and for which the Entity expects to recover the full amount recognised, except in the event of customer arrears.

These financial assets are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given plus costs directly attributable to the transaction. After initial recognition, these assets are measured at amortised cost calculated using the effective interest method, which is the discount rate that exactly matches the initial amount of a financial instrument to its total estimated cash flows in respect of all items over the remaining useful life. Accrued interest is accounted for in the income statement using the aforementioned method.

Trade and non-trade receivables falling due within one year that do not have a contractual rate of interest are initially and subsequently measured at their nominal amount when the effect of not updating the cash flows is immaterial.

The Entity tests these financial assets for impairment at least at each year end. Objective evidence of impairment is considered to exist when the carrying amount of the financial asset exceeds the recoverable amount. The Entity determines the recoverable amount based on historical default rates, classifying receivables into groups with similar risk characteristics. Impairment is recognised in the income statement when it arises.

### **3.e) Financial liabilities**

- Debts and payables

This category comprises financial liabilities arising on the Entity's acquisition of goods and services, or non-trade goods and services that do not meet the criteria for consideration as derivative financial instruments.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. These liabilities are subsequently measured at amortised cost calculated using the effective interest



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method. Accrued interest is accounted for in the income statement using the aforementioned method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

- Financial guarantee contracts

If no payments from the associate to the Entity are agreed for such a guarantee, then the Entity has provided the guarantee in its capacity as a shareholder and accounts for the issuance of the guarantee as a capital contribution to the associate. After initial recognition, financial guarantee contracts are measured at the higher of:

- the amount determined in accordance with the accounting policy for provisions in section i), and
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the accounting policy for revenue recognition in section m).

- Derivative financial instruments

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Entity contracts cash flow hedges. At the inception of the hedge, the Entity formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

The Entity records the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments in the income statement.

When the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, the corresponding cumulative amount in equity is recognised in the income statement.

### **3.f) Cash and cash equivalents**

This item includes cash in hand, current bank accounts, deposits and resale agreements that meet the following conditions:

- They may be converted into cash.

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- They have a maturity of three months or less upon acquisition.
- They are not subject to a significant risk of changes in value.
- They form part of the Entity's usual cash management policy.

**3.g) Grants, donations and bequests received**

This item forms part of the Entity's equity and mainly comprises non-refundable capital grants awarded for the construction of state-owned assets, principally from European funds (Cohesion Fund, Trans-European Networks Transport (TEN-T), European Regional Development Fund (ERDF)). The Entity recognises these grants at the amount awarded, net of tax, when, in accordance with recognition and measurement standard 18 of the Spanish General Chart of Accounts, a grant award agreement has been reached, the conditions of award have been met and there is no reasonable doubt that the grant will be received.

In application of the single additional provision of Ministry of Economy and Finance Order EHA/733/2010 of 25 March 2010, for accounting purposes only, grant conditions are considered to be met when, at the date of authorisation for issue of the financial statements, the works have been partially or fully completed, quantified in the proportion of works financed that have been completed. This item also includes grants received in kind from the State through the conveyance of certain railway lines in operation or under construction, for no consideration.

According to corresponding subrogation documents and in line with the reply given by the IGAE's Sub-Directorate General for Planning and Accounting Guidance on 22 April 2013, to the consultation put forth by the Delegate Comptroller in ADIF regarding the accounting application of Royal Decree Law 22/2012 of 20 July 2012, Entity management has considered the assignment to ADIF-AV of finished assets and work in progress corresponding to the connection between the Mediterranean Corridor and the high-speed Madrid-Barcelona-French border line and the high-speed Santiago-Vigo stretch of the high-speed Atlantic Axis to be a free-of-charge title of assets used in an activity of public interest. Article 19, section 2 of the RSL stipulates that rail infrastructure administration is an essential public service.

As a result of the foregoing and applying recognition and measurement standard 18, and in accordance with regulation 6, section 1 of Order EHA/733/2010 of 25 March 2010, the Entity recognised a capital grant in the amount of 2,476,419 thousand euros, reflecting the fair value of the items received calculated as the depreciated replacement cost of those items pursuant to the aforementioned ministerial order (see Note 3.b)). This grant will be taken to income each year in proportion to the depreciation of the assets received.

Similarly, in application of Royal Decree-Law 4/2013 of 22 February 2013, the Entity has recognised a grant for the value of the works delivered by the State to ADIF-AV for no consideration in 2013 (see Note 1).

The Entity recognises any amounts received in advance, and balances relating to grants awarded and receivable for which not all the above conditions have been met, as payables convertible into grants, under other financial liabilities.

The Entity recognises grants as operating income from non-financial grants, in line with the depreciation for the year of the fixed assets for which the grants have been received.

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The Entity classifies long-term employee benefit commitments as defined contribution plans and defined benefit plans, accordingly. Defined contribution plans are those whereby the Entity undertakes to make contributions of a specified amount to a separate entity, provided that there is no legal, contractual or constructive obligation to make additional contributions were the separate entity unable to meet the commitments undertaken. Plans other than defined contribution plans are considered as defined benefit plans.

- Defined benefit plans

Long-term defined benefit commitments are recognised at the present value of the committed remuneration, which is estimated using actuarial calculation methods and financial and actuarial assumptions that are unbiased and mutually compatible.

The Entity recognises these provisions as and when employees render their services. The contributions payable are recognised as an expense for employee remuneration in the income statement, and as a liability after deducting any contribution already paid.

Variations in the calculation of the present value of this remuneration due to actuarial gains and losses are directly taken to equity in the year in which they arise, recognised as reserves.

- Defined contribution plans

Long-term contributions payable are recognised as a liability, where applicable, at the amount of the accrued contributions payable at year end.

Obligations accrued as a result of changes in the actuarial assumptions used to determine the contributions made by the Entity are recorded directly under equity in the year in which they arise, recognised as reserves.

**3.i) Provisions**

The Entity recognises as provisions those present obligations arising from past events of which settlement is likely to give rise to an outflow of resources, but for which the amount or date of settlement is uncertain.

All the obligations mentioned in the preceding paragraph are disclosed in these annual accounts, provided that it is more likely than not that the obligation will require settlement.

Provisions are measured at the present value of the best estimate of the amount required to settle or transfer the obligation, taking into account available information on the event and its consequences, and recognising any adjustments arising on the discounting of these provisions as a finance cost when accrued. Provisions maturing in one year or less are not discounted when the financial effect is immaterial. Provisions are reviewed at each year end and adjusted to reflect the best present estimate of the liability at each given time.

The Entity records, as provisions, the best estimate available at the closing date of the obligations assumed by the participation in various integration companies whose cancellation is likely to result in an outflow of resources, but which are indeterminate as to

## Notes to the Annual Accounts 31 December 2020

their amount or date. For the quantification of the aforementioned obligations, estimates of the expected cash flows to be obtained in each case are considered, provided by the Management of each of the Companies, analysing their capacity to obtain income from the sale of land that allows them to face the obligations contracted with third parties to develop the project entrusted to them, as well as the needs for contributions of funds by the shareholders and their capacity to reimburse the financing provided and pending contribution. In the cases in which it is estimated that there will be a deficit to be assumed by the shareholders, the final risk assumed by the Entity is determined, taking into account, in addition, the best estimate of the value of the railway infrastructures that the Company must deliver to ADIF AV. As a result, the loss assumed by the Entity and recognized as a provision for risks and expenses and as a provision for impairment of financial assets is quantified as the difference between the present value of the aforementioned deficit and the estimated cost of the infrastructures that the Entity (See note 3b).

In quantifying the estimation of the cash flows that the Companies intend to obtain in the future, the residual dynamic method is generally used, for the valuation of soils, for reasons of prudence excluding duly justified exceptions. This method uses techniques to discount cash flows and therefore takes into account the evolution of the value of money over time.

### **3.j) Classification of assets and liabilities as current and non-current**

Assets and liabilities are classified as current and non-current on the balance sheet. Assets and liabilities are classified as current when they are connected with the Entity's normal operating cycle of less than one year and are expected to be recovered, consumed or settled within twelve months after the balance sheet date.

### **3.k) Foreign currency balances and transactions**

Foreign currency transactions are recognised at the exchange rate prevailing at the transaction date.

Loans in foreign currency are reflected at the effect exchange rate at the balance sheet date and exchange differences are recorded at the time they occur.

### **3.l) Income taxes**

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

#### **(i) Recognition of taxable temporary differences**

Taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Notes to the Annual Accounts  
31 December 2020(ii) Recognition of deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets and if the Entity intends to use these opportunities or it is probable that they will be utilised.

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted. The tax consequences that would follow from the manner in which the Entity expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

(iv) Offset and classification

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

**3.m) Recognition of income and expenses**

Income and expenses are recognised on an accruals basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue is measured at the fair value of the consideration received or receivable, less any interest included in the nominal amount of the receivables. However, the Entity includes embedded interest on trade receivables maturing within one year that do not have a contractual interest rate when the effect of not discounting cash flows is not material.

**3.n) Related party transactions**

Related party transactions, except those related to mergers, spin-offs and non-monetary contributions, are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

**3.o) Leases**

Lease contracts which at inception transfer substantially all risks of ownership of the assets to the company are classified as finance leases. Otherwise they are classified as operating leases. Lease agreements in force at the reporting date, all of which are classified as operating leases, consist mainly of the assignment of fibre optic cables not required for rail traffic and the rental of commercial space.

Notes to the Annual Accounts  
31 December 2020**(4) Property, Plant and Equipment, Intangible Assets and Investment Property**

Details of the balances of property, plant and equipment, intangibles and investment property and their corresponding depreciation and impairment and movement at 31 December 2020 and full year 2019 are shown in Appendix 1.

By virtue of a Council of Ministers Resolution or Resolutions of the Secretary of State for Planning and Infrastructure, ADIF-AV is entrusted with the following:

- Construction and administration of the Madrid-Zaragoza-Barcelona-French border high-speed rail line. The Figueras-French border sub-stretch was excluded from this service arrangement as it is part of the Figueras-Perpignan stretch by virtue of the agreement between the Spanish and French governments signed on 10 October 1995 (Agreement 9/04/99).
- Construction of a new North-Northwest rail access: Madrid-Segovia-Valladolid/Medina del Campo.
- Construction and administration of the new Córdoba-Málaga rail access.
- Construction and administration of the new Levante high-speed rail access: Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region.
- Construction and administration of the León-Asturias high-speed line (La Robla-Pola de Lena stretch/Pajares alternate route) of the North-Northwest Corridor.
- Construction and administration of the new Toledo high-speed rail access.
- Construction and administration of the Basque Country high-speed line of the North-Northwest Corridor.
- Construction and administration of the Navalmoral de la Mata-Cáceres stretch of the Madrid-Cáceres / Mérida-Badajoz high-speed line of the Extremadura Corridor.
- Construction and administration of the stretch between Almeria and the Murcia region border of the Murcia-Almeria high-speed line of the Mediterranean Corridor.
- Completion of construction work on the Bobadilla-Granada high-speed line, including track bed and track.
- Drafting and execution of the basic projects and construction of the Madrid-Asturias high-speed line. Stretch: Venta de Baños-León-Asturias (excluding the Pajares alternate route) (Resolution of 28/12/06).
- Drafting and execution of the basic projects and construction of the Madrid-Basque Country/French border high-speed line. Stretch: Valladolid-Burgos-Vitoria. (Resolution of 28/12/2006).
- Drafting and execution of the basic projects and construction of the Mediterranean Corridor high-speed line. Stretch: Murcia region-Murcia border. (Resolution of 28/12/2006).
- Drafting and execution of the basic projects and construction of the Madrid-Extremadura/Portuguese border high-speed line. Stretch: Cáceres-Mérida-Badajoz. (Resolution of 28/12/2006).
- Construction of the Olmedo-Medina-Zamora-Puebla de Sanabria-Lubián-Orense stretch of the Madrid-Galicia high-speed line, in the North-Northwest Corridor. (Resolution of 4/12/2009).

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31 December 2020

- Construction of the Castejón-Pamplona region stretch of the Zaragoza-Pamplona high-speed line in the Navarre territory. (Resolution of 30/3/2010).
- Construction of the connection of the Mediterranean Corridor with the Madrid-Barcelona-French border high-speed rail line: Vandellós-Tarragona area. (Resolution of 11/5/2012).
- Construction of the Santiago de Compostela-Vigo section of the A Coruña-Vigo stretch of the high-speed Atlantic Axis. (Resolution of 11/5/2012).
- Construction of the update for the link between the Medina del Campo siding and the Medina del Campo-Salamanca line.
- The drafting and execution of the projects and maintenance of the overhead lines installations, telecommunications systems, GSM-R mobile radio system and items related with the high-speed Bobadilla-Granada line.

Up to 31 December 2020, as explained in note 3.b), the Entity has recorded the best estimate of railway works executed by various investees whose corporate purpose is the integration of railways in urban areas according to the following breakdown:

	Thousands of Euros	
	31/12/2020	31/12/2019
Valencia Parque Central Alta Velocidad 2003, S.A.	61,266	71,859
Valladolid Alta Velocidad 2003, S.A.	54,378	53,911
Zaragoza Alta Velocidad 2002, S.A.	5,457	5,457
AV Alicante Nodo de Transporte S.A.	53,167	53,167
León Alta Velocidad AV, S.A.	9,686	9,686
<b>TOTAL</b>	<b>183,954</b>	<b>194,080</b>

The Entity has recorded, in the financial statements, the best estimate available of the railway works executed to date by the integration companies Zaragoza Alta Velocidad 2002 S.A., Valencia Parque Central Alta Velocidad 2003, S.A., Alta Velocidad Alicante Nodo Transportes S.A., Valladolid Alta Velocidad 2003, S.A. and León Alta Velocidad 2003, S.A., in which it participates and which are put into operation.

The railway works executed by Zaragoza Alta Velocidad were delivered to ADIF AV through a formal act signed on February 1, 2016 and its valuation amounted to 5,457 thousand euros, which were recorded in the annual accounts for 2015.

In the case of Valencia Parque Central 2003, S.A., the Entity has recorded at the end of 2020 the best estimate of the railway works executed by the aforementioned investee company, amounting to 61,266 thousand euros. At the date of preparation of these financial statements, the Entity and Valencia Parque Central Alta Velocidad 2003, S.A. had not formalised a deed of handover for the transfer of ownership.

On November 12, 2018 ADIF-AV and ADIF subscribed with the investee Valladolid Alta Velocidad 2003, SA, hereinafter VAV, an agreement for the transfer of railway assets in which a total value was established, excluding VAT of 53,911 thousand euros. In said agreement it is established that the consideration to be paid for this delivery will consist of the delivery of ADIF AV to VAV of the lands that are unaffected or that may be affected in the future of the railway use and that are owned by them.



## Notes to the Annual Accounts 31 December 2020

As of the closing date of these annual accounts, ADIF AV has recorded a long-term liability for this concept with the company VAV.

The railway works recorded at the end of these financial statements delivered by the investee León Alta Velocidad 2003, S.A. are those deriving from the delivery agreement signed between ADIF-AV and the aforementioned company on 3 June 2018 for a total value, excluding VAT, of 9,686 thousand euros.

In addition, it should be noted that, with the exception of Alta Velocidad Alicante Nodo Transportes S.A., the other investee companies have executed other works or ancillary costs that have not been recorded in these financial statements and which are pending attribution to their shareholders, depending on their final classification as railway or urban infrastructure and the allocation of certain costs necessary to carry out the overall project entrusted to the aforementioned companies. The final allocation of these works to the shareholders must be the subject of an agreement within each company, which is considered complex at the date of these financial statements.

Pursuant to Royal Decree-Law 4/2013 of 22 February and the recasting agreement (see note 3.b), the General State Administration and SEITTSA have transferred to ADIF AV free of charge since 2015 the land and platform works associated with various sections of the Madrid-Galicia high-speed railway line, basically between Medina and Lubián (Zamora). At the date of issue of these financial statements, the Entity has recognised these assets as property, plant and equipment in progress or completed, when the infrastructures have been brought into operation, for an accumulated value of 814,150 thousand euros, recognising the corresponding capital grant as a balancing entry. Of this amount, a total of 773,643 thousand euros correspond to assets that have been transferred by SEITTSA. Included in this figure are assets recognised by ADIF AV in 2019 as property, plant and equipment under construction amounting to 252,475 thousand euros. These investments are focused on the high-speed railway line to Galicia and although in 2020 this amount has not changed, the Entity is aware that a platform work in progress by SEITTSA on the aforementioned high-speed line is pending acceptance. Below is a summary, in thousands of euros, of the situation at 31 December 2020 and 31 December 2019 of the works received by the Entity free of charge and relating exclusively to the Madrid-Galicia High-Speed Line, in application of Royal Decree-Law 4/2013 and the aforementioned recasting agreement:

ORIGIN	Land Valuation and works received for free platform in operation Madrid- Galicia High Speed Line	
	31/12/2020	31/12/2019
A.G.E. Real Decreto ley 4/2013	40,507	40,507
SEITTSA, Convenio Refundido	773,643	773,643
	<b>814,150</b>	<b>814,150</b>

### 4.a) Operating property, plant and equipment

The following is a breakdown of the acquisition or production cost at 31 December 2020 and at 31 December 2019 of the Entity's property, plant and equipment by high speed network line:



## Notes to the Annual Accounts

### 31 December 2020

31/12/2020 Thousands of Euros

	Land and natural resources	Buildings and other constructions	Track and other technical installations	Other property, plant and equipment	Total
Madrid-Barcelona-Figueras	784,132	645,853	10,342,613	14,520	<b>11,787,118</b>
Mediterranean Corridor	52,846	25,181	1,181,509	186	<b>1,259,722</b>
Madrid-Levante	879,074	205,820	6,574,396	1,360	<b>7,660,650</b>
Madrid-Sevilla and ramal a Toledo	76,797	445,999	2,476,873	9,743	<b>3,009,412</b>
Córdoba-Málaga	117,347	67,223	2,276,350	1,284	<b>2,462,204</b>
Antequera-Granada	61,318	42,466	1,255,762	125	<b>1,359,671</b>
Madrid-Valladolid	43,934	62,849	3,803,163	467	<b>3,910,413</b>
Valladolid – León	101,350	33,329	1,155,368	235	<b>1,290,282</b>
Olmedo – Zamora	72,612	25,309	1,264,346	223	<b>1,362,490</b>
Santiago de Compostela-Vigo Atlantic axis	124,405	66,141	1,867,608	492	<b>2,058,646</b>
Others	270,102	62,339	851,207	12,582	<b>1,196,230</b>
	<b>2,583,917</b>	<b>1,682,509</b>	<b>33,049,195</b>	<b>41,217</b>	<b>37,356,838</b>

31/12/2019 Thousands of Euros

	Land and natural resources	Buildings and other constructions	Track and other technical installations	Other property, plant and equipment	Total
Madrid-Barcelona-Figueras	784,064	643,356	10,163,594	15,176	<b>11,606,190</b>
Mediterranean Corridor	52,829	23,294	882,429	186	<b>958,738</b>
Madrid-Levante	859,016	202,164	6,536,690	1,298	<b>7,599,168</b>
Madrid-Sevilla and ramal a Toledo	76,796	443,735	2,470,002	9,743	<b>3,000,276</b>
Córdoba-Málaga	116,681	67,178	2,275,146	1,284	<b>2,460,289</b>
Bobadilla - Granada y Extremadura	59,705	41,374	1,203,937	116	<b>1,305,132</b>
Madrid-Valladolid	43,934	62,666	3,801,554	559	<b>3,908,713</b>
Valladolid – León	101,116	33,003	1,147,927	235	<b>1,282,281</b>
Olmedo – Zamora	71,832	16,730	547,729	222	<b>636,513</b>
Santiago de Compostela-Vigo Atlantic axis	124,323	58,880	1,864,240	461	<b>2,047,904</b>
Others	263,072	57,824	849,521	12,867	<b>1,183,284</b>
	<b>2,553,368</b>	<b>1,650,204</b>	<b>31,742,769</b>	<b>41,147</b>	<b>35,988,488</b>

#### 4.b) Work in progress

Work in progress at 31 December 2020 and 31 December 2019 is detailed in the table below:

## Notes to the Annual Accounts 31 December 2020

	Thousands of Euros	
	31/12/2020	31/12/2019
Madrid - Zaragoza - Barcelona – Figueras	434,592	375,694
Zaragoza - Pamplona, Tramo Castejón - Comarca de Pamplona	124,815	101,859
Madrid - Castilla la Mancha - Com. Valenciana - Región de Murcia	2,046,717	1,974,754
Mediterranean Corridor de AV	15,306	12,967
Enlace Mediterranean Corridor, Área Tarragona	81,781	553,969
L.A.V. Pulpí – Murcia	89,755	83,553
L.A.V. Murcia – Almería	609,419	593,186
Córdoba – Málaga	7,527	2,857
L.A.V. Bobadilla – Granada	87,342	97,385
L.A.V. Madrid - Cáceres, tramo Navalmoral de la Mata - Cáceres	812,085	757,962
L.A.V. Madrid - Extremadura - F. portuguesa, tramo Cáceres - Mérida – Badajoz	470,857	408,502
Madrid - Segovia – Valladolid	5,176	3,337
Valladolid - Burgos – Vitoria	707,306	688,006
L.A.V. País Vasco	1,577,375	1,462,843
Palencia – León	165,717	147,108
L.A.V. León – Asturias	3,140,649	3,047,688
L.A.V. Galicia (Olmedo - Lubián)	507,208	1,108,072
L.A.V. Galicia (Lubián - Ourense)	2,016,553	1,903,322
High Speed Atlantic Axis	52,920	92,986
Madrid Atocha - Madrid Chamartín	811,004	788,889
Atocha Station complex expansion	7,931	6,058
Other High Speed investments,	116,942	81,102
Investments in asset replacement and improvement	242,982	149,565
<b>TOTAL</b>	<b>14,131,959</b>	<b>14,441,664</b>

The Entity recognized, in previous years, as a greater value of work in progress, the best available estimate of those executed and outstanding works pending certification at 31 December 2020 and 31 December 2019 arising from outstanding contractual issues pending formalization worth 13,159 and 14,245 thousand euros, respectively. ADIF AV continues with a process of regularization of these situations and is working on the development of instruments to avoid such incidents in the future.

Work in progress at 31 December 2020 and 31 December 2019 includes 156,277 and 185,367 thousand euros, respectively, for advances to suppliers. At 31 December 2020 and at 31 December 2019, this item also comprises advances extended to suppliers that have not been formally set out in contracts, in the amount of 1,950 and 27,229 thousand euros respectively. The heading includes advances for the future delivery of railway works derived from agreements signed between the Entity and its associates, as per the following breakdown at 31 December 2020 and 31 December 2019:

## Notes to the Annual Accounts 31 December 2020

	Thousands of Euros	
	31/12/2020	31/12/2019
Valencia Parque Central Alta Velocidad 2003, S.A.	48,084	48,084
Valladolid Alta Velocidad 2003, S.A.	1,529	1,529
Zaragoza Alta Velocidad 2002, S.A.	11,165	11,165
Almería Alta Velocidad, S.A.	10,169	10,169
<b>TOTAL</b>	<b>70,947</b>	<b>70,947</b>

Under the act of formal delivery of signed works on 1 February 2016 between Zaragoza Alta Velocidad 2002, SA, ADIF and ADIF-AV, in 2015, the Entity has partially cancelled the advances for outstanding works to be received from Zaragoza Alta Velocidad 2002, SA, pending at 31 December 2014. The value of the works received and recorded in 2015 amounted to 5,457 thousand euros. In addition, the Entity, in light of the best available estimate at year end, valued the railway projects likely to receive in future years, registered in the 2015 income statement a loss of 2,157 thousand euros (see Note 3.b).

Applying the same criteria used by the State for its real estate and infrastructure works, ADIF-AV has not taken out any insurance coverage for these assets, except as regards extraordinary infrastructure risks, which do not include stations, tunnels, bridges and other buildings.

Also ADIF-AV, like the State, has not listed its buildings and infrastructure works in the Property Register, except for housing and commercial premises.

At 31 December 2020, the Entity has firm commitments with third parties to make future investments of 2,981,341 thousand euros, excluding VAT. At 31 December 2019, the Company had firm commitments with third parties to make future investments of 2,992,750 thousand euros, excluding VAT.

### 4.c) Capitalised borrowing costs

During 2020, the Entity capitalised borrowing costs totalling 108,129 thousand euros, comprising the cost of the loans received from the EIB or other institutions, and the cost of the liabilities and Green Bonds emissions, which were primarily allocated to finance the construction of various high-speed lines. Among other items, this amount comprises 23,202 thousand euros in relation to the Levante line; 26,328 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 7,058 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,422 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 15,803 thousand euros for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 15,564 thousand euros of the Galicia high-speed line.

During 2019, the Entity capitalised borrowing costs totalling 113,910 thousand euros, comprising the cost of the loans received from the EIB or other institutions, and the cost of the liabilities and Green Bonds emissions, which were primarily allocated to finance the construction of various high-speed lines. Among other items, this amount comprises 23,014 thousand euros in relation to the Levante line; 26,373 thousand euros reflecting the cost of the high-speed rail network of the Basque Country, called "Y Vasca"; 7,256 thousand euros representing the costs of the Valladolid-Vitoria stretch of the Madrid-Basque Country/French border high-speed line; and 11,735 thousand euros for the costs of the Pajares alternate route of the Madrid-Asturias high-speed line and 15,576 thousand euros

## Notes to the Annual Accounts 31 December 2020

for the railway connection between Madrid Atocha station and Madrid Chamartín station; and 14,991 thousand euros of the Galicia high-speed line. (see note 19)

### 4.d) Fully depreciated/amortised assets

Details of the cost of fully depreciated or amortised items of property, plant and equipment, intangible assets and investment property in use at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Intangible assets	8,441	8,631
Property, plant and equipment	843,196	695,644
Investment property	103	103
<b>TOTAL</b>	<b>851,740</b>	<b>704,378</b>

### 4.e) Government grants received

The construction of property, plant and equipment for railway infrastructure has partly been financed by non-refundable capital grants, among which some come from European Funds (Cohesion Funds, TEN-T, ERDF) (see Note 9).

Current and on-going investments delivered by the State to ADIF in 2012 and 2013, mainly the works on the Atlantic Hub and the link to the Valencia-Vandellós section of the Mediterranean Corridor. In 2015 and following by the State and SEITTSA in relation to the platform works of various sections of the Madrid-Galicia line, they have been registered with a counterpart being the recognition of a capital grant (see Notes 3(b) and 3(g)).

### 4.f) Intangible assets

Details of intangible assets at 31 December 2020 and 31 December 2019 are as follows:

	31/12/2020 Thousands of Euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,555	(6,417)	138
Rights of use space RENFE	50,831	(3,389)	47,442
Research and development expenses	12,032	(5,977)	6,055
Other intangible assets	6,713	(6,526)	187
<b>Total operating intangible assets</b>	<b>76,131</b>	<b>(22,309)</b>	<b>53,822</b>
Intangible assets in progress			
Computer software	237	-	237
Research and development expenses	48	-	48
Other intangible assets	284	-	284
Rights of use Torreones Atocha RENFE 2020	19,195	-	19,195
<b>Total intangible assets in progress</b>	<b>19,764</b>	<b>-</b>	<b>19,764</b>
<b>Total intangible assets</b>	<b>95,895</b>	<b>(22,309)</b>	<b>73,586</b>

## Notes to the Annual Accounts 31 December 2020

	31/12/2019 Thousands of Euros		
	Cost	Accumulated amortisation	Total
Operating intangible assets			
Computer software	6,426	(6,380)	46
Rights of use space RENFE	50,831	(2,711)	48,120
Research and development expenses	11,275	(5,285)	5,990
Other intangible assets	6,713	(6,305)	408
<b>Total operating intangible assets</b>	<b>75,245</b>	<b>(20,681)</b>	<b>54,564</b>
Intangible assets in progress			
Computer software	19	-	19
Research and development expenses	-	-	-
Other intangible assets	164	-	164
<b>Total intangible assets in progress</b>	<b>183</b>	<b>-</b>	<b>183</b>
<b>Total intangible assets</b>	<b>75,428</b>	<b>(20,681)</b>	<b>54,747</b>

The intangible asset called "rights of use Torreones Atocha Renfe 2020" corresponds to the acquisition value agreed between ADIF AV, RENFE-Operadora and RENFE Viajeros SME S.A. in July 2020 for the rights of use of spaces located at Atocha Station in Madrid recognised in Order FOM/2909/2006 in favour of RENFE-Operadora.

The Board of Directors of ADIF-AV approved at its meeting of 30 June 2020, a proposed agreement between RENFE-Operadora, RENFE Viajeros SME S.A. and ADIF Alta Velocidad for the acquisition by ADIF Alta Velocidad of the rights of use in favour of RENFE Operadora at Atocha Station and lease of a part by RENFE Viajeros SME S. A. In July 2020, an agreement was signed with Renfe Operadora and Renfe Viajeros SME, S.A. for this acquisition, which will take effect in December 2020.

The aforementioned agreement of July 2020 includes the obligation of ADIF AV to pay a price of 19,195 thousand euros (excluding VAT) for the recovery of the spaces that RENFE-Operadora had been occupying in the Atocha station towers. With this disbursement made in December 2020, all ADIF AV obligations relating to the replacement of spaces originating in Order FOM/2909/2006 are cancelled.

In application of the above paragraph, ADIF AV has cancelled the impairment provision it had made for these properties up to 2019, totalling 4,875 thousand euros.

The acquisition agreement signed in 2020 provides for the lease of space to Renfe Viajeros S.M.E. for a period of four years.

In addition to the above, the Entity has recognised an intangible asset called "rights to use Renfe 2015 spaces" which corresponds to the current acquisition value of the aforementioned rights after deducting the provision for contingencies and expenses that the Entity had set up to meet the replacement costs for the delivery in suitable conditions of use of the properties that should replace the aforementioned spaces, which is included in the purchase price.

On December 28, 2015, the Entity, together with RENFE Operadora, signed with RENFE Operadora, Renfe Viajeros, S.A., Renfe Fabricación y Mantenimiento, S.A. y Renfe Alquiler de Material Ferroviario, S.A an agreement for partial acquisition of the rights of use in spaces owned by the Entity for a current value of 50,831 thousand euros, once applied the provision

## Notes to the Annual Accounts 31 December 2020

for risks and expenses cited in the preceding paragraph which the Entity carried on its balance sheet amounting to 21,952 thousand euros.

The purpose of this agreement is to extinguish the rights of use without financial compensation recognized in the Order FOM/2909/2006 to RENFE-Operadora in diverse administrative and operational spaces located in buildings owned by the Railway Infrastructure Administrator. The mentioned Order established the obligation of ADIF to replace, within a maximum period of three years, these spaces for their property that can be capitalized by RENFE Operadora.

As a result of the creation of ADIF AVE, in the Order PRE-2443/2013 of 27 December, the assets, rights and obligations of ADIF which became owned by ADIF AV established the subrogation from the Entity in its obligations for the replacement of the rights of use corresponding to the spaces located in buildings attributed to ADIF AV, for a total of 20,947.76 net square meters.

Given the legal complexity and practice in the execution of Order FOM / 2909/2006, and since ADIF and ADIF AV did not have sufficient property to replace all the rights recognized for RENFE-Operadora's use, it has been necessary to reach an agreement that allows, first partially to replace a portion of the surface subject to such rights of use, by incorporating it in the equity of the mentioned company of certain properties owned by ADIF and ADIF AV and, secondly, the termination of other rights not replenished, recognizing the corresponding RENFE-Operadora consideration.

In order to extinguish the totality of the commitments assumed by ADIF-AV (see note 10.b.2) derived from the aforementioned FOM Order, the Entity acquired from RENFE Operadora in 2015, the usage rights corresponding to a total of 17,826.35 net useful squares meters and committed to deliver in a maximum period of one year, office space located in the Atocha historic station equivalent to 3,121.41 useful square meters.

The amount payable to RENFE Operadora for the rights of use acquired in 2015 has been quantified at 77,434 thousand euros, excluding VAT. Of that amount the Entity has paid in January 2016 to Renfe Operadora a figure of 50,831 thousand euros and agrees to pay 2,660 thousand euros each year until the year 2025, inclusive. (See notes 10.b.2 and 11.d))

Additionally, the agreement reached with RENFE Operadora includes leasing, by the mentioned entity and the Group companies, in accordance with the conditions shown in the following table:

Metres squared	Period	Annual income (euros)
15,887.49 m <sup>2</sup>	Ten years	2,406,491.64

After the 10-year period, the lease may be extended by mutual agreement between the parties, updating the lease income according to the general index of competitiveness. As the leased assets have a great relationship with the activity undertaken by Renfe Operadora, it is understood that these leases will be extended for the very long term.

#### **4.g) Impairment of property, plant and equipment, intangible assets and investment property**

At 31 December 2020 and 31 December 2019, the Entity assessed the operating units forming its property, plant and equipment, intangible assets and investment property for indications of impairment. From this analysis it was concluded that the operating units

## Notes to the Annual Accounts 31 December 2020

forming the Entity's non-financial assets showed no indications of impairment except that indicated in Annex I (see Note 3.b)).

### 4.h) Investment property

The breakdown at 31 December 2020 and 31 December 2019 is as follows:

31/12/2020 Thousands of Euros			
	Cost	Accumulated depreciation	Total
Urban sites	12,410	-	12,410
Shopping centres at passenger rail stations	99,932	(25,642)	74,290
Commercial car parks	78,596	(13,925)	64,671
Buildings and hotels at intermodal stations	61,683	(19,320)	42,363
Housing, premises and garages	228	(216)	12
Investment property in progress	403	-	403
<b>Total</b>	<b>253,252</b>	<b>(59,103)</b>	<b>194,149</b>

31/12/2019 Thousands of Euros			
	Cost	Accumulated depreciation	Total
Urban sites	10,538	-	10,538
Shopping centres at passenger rail stations	99,932	(23,643)	76,289
Commercial car parks	78,596	(12,785)	65,811
Buildings and hotels at intermodal stations	61,683	(18,324)	43,359
Housing, premises and garages	228	(213)	15
Investment property in progress	403	*	403
<b>Total</b>	<b>251,380</b>	<b>(54,965)</b>	<b>196,415</b>

### 4.i) Sale commitments (land associated with Chamartín Station rail complex)

In the case of the railway-urban development transaction, the "Chamartín Transaction", the rights and obligations of ADIF arising from the agreement entered into between ADIF, RENFE Operadora and "Desarrollo Urbanístico Chamartín, S.A." on 23 June 2009 will be split between ADIF-AV and ADIF based on the area pertaining to each entity and the price per square metre established in the agreement.

Under this contract, ADIF and RENFE Operadora signed a Revised Text of the Contract with Desarrollo Urbanístico de Chamartín, S.A. (DUCH), which stipulated that ADIF and RENFE Operadora agree to give priority to DUCH to complete the urban planning of the land included in both the PPRI (Partial Interior Reform Plan) of the APR (Area planned for development to be defined at a later stage) 08.03 "Extension of the Castellana" and the APE (Special Planning Area) 05.27 "Colonia Campamento" and that affects the Chamartín and Fuencarral railway station complexes. In accordance with the terms of the Revised Text of the Contract, DUCH agreed to pay a consideration, part in cash and part in kind (through the transfer of developed land classified for government-supported residential properties) up to the limits established and for specific amounts, in exchange for the transfer of the title to land and building rights included in the APR 08.03 and the APE 05.27, which comprises the Chamartín and Fuencarral station complexes.



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Pursuant to the agreement, on 29 July 2014 DUCH petitioned ADIF and RENFE Operadora to formally open renegotiations, since more than five years had elapsed since the last section of the agreement was signed and the PPRI had not been approved on the foreseen terms.

On 22 January 2015, the parties signed a Framework Agreement whereby DUCH undertook to pay the public entities a cash amount of 984,225 thousand euros, over a 20-year payment period and subject to 3% annual interest, and an in-kind payment comprising use of 100,000 m<sup>2</sup> of government-supported residential area. The validity and effectiveness of this agreement is subject to definitive approval of the modification of the PPRI.

In accordance with the Framework Contract, ADIF and ADIF-AV may receive 84.027% of the price foreseen of 1,245,460 thousand euros (including delay interest), namely 1,046,523 thousand euros. A priori, this is the maximum amount receivable, given that if ADIF/ADIF-AV is not allocated ownership of an area in the corresponding urban development re-parcelling, this price would be reduced in accordance with a predetermined unit price. Of the total of 1,046,523 thousand euros, 20.430% corresponds to ADIF-AV (254,447 thousand euros), while 63.507% (792,075 thousand euros) corresponds to ADIF.

In addition, both state-owned entities will receive a payment in kind through the delivery of plots on which 84,027 m<sup>2</sup> can be built for government-supported residential use (53,438.65 m<sup>2</sup> for ADIF and the remaining 30,588.35 m<sup>2</sup> for ADIF-AV).

On 9 June 2015, the High Court of Madrid issued a new ruling on the PPRI, declaring the nullity of the determinations that allowed more than 3 heights plus attic space for buildings in this area. This provision makes the operation technically and economically unfeasible.

Motivated by the new situation of urban development, DCN, ADIF and RENFE-Operadora subscribed, on December 28, 2016, an extension of the Basis Agreement, until August 31, 2018. DCN must pay to Public Entities for this reason an amount of 4,350,274 euros derived from the extension of the Basis Agreement until August 31, 2018. Of this amount, ADIF AV is due the amount of 444,380 euros fully charged in 2017 and 444,380 euros in 2018.

The Technical Subcommittee created for this purpose, reached a principle of agreement between the parties, reflected in the document "*Bases para la ordenación urbanística del área Estación de Chamartín – sur de Calle 30/Fuencarral – norte de Calle 30, Acuerdo ADIF/DCN/Ayuntamiento de Madrid*", calling the urban action whose bases are agreed, Madrid Nuevo Norte (MNN).

On 28 December 2018, the Boards of Directors of the ADIF and ADIF-ALTA VELOCIDAD have authorized a modification of the contract they have signed with the company DISTRITO CASTELLANA NORTE, S.A. (DCN), on the preferential adjudication of their rights in relation to the urban development of the Chamartín and Fuencarral rail precincts, in Madrid (the so-called "Operation Chamartín").

On 20 September 2018, the Madrid City Council agreed to the Initial Approval of the Specific Modification of the Madrid General Plan (MPPGOM) "Madrid Nuevo Norte". This document constitutes the new urban framework of reference for the parties to this Contract and, consequently, it has had to adapt the content thereof to the determinations of this new modification of the Plan.

The most relevant information in this contractual amendment is that, despite the fact that the area to be transferred to DCN by the railway entities has been reduced by 798,366 m<sup>2</sup> and that the net buildable area attributable to the railway spaces has been reduced by 575,246 m<sup>2</sup> t (31.02%), both the price established in the current contract and the agreed



## Notes to the Annual Accounts 31 December 2020

form of payment remain unchanged, a fixed canon of € 1,245,459,973 to be paid in 20 years plus the delivery of urbanized plots subject to some regime of public protection with a buildable area of 100,000 m<sup>2</sup>.

On 22 July 2020, the Community of Madrid approved, definitively and unconditionally, the Specific Modification of the General Plan of Madrid (MPG), which will allow the urban development of the Madrid Nuevo Norte Project to be carried out, and on 31 July 2020, the Madrid City Council published the urban development regulations of the MPG in the BOCM (Official Journal of the Madrid City Council).

On 23 December 2020, the Secretary of State for Transport, Mobility and Urban Agenda resolved to approve the public information and hearing file and definitively approved the "Information Study of the New Railway Complex of the Madrid-Chamartín station".

The Statutes of the Management Commission of APE 05.31 "Chamartín Business Centre" and the Delimitation Project of APE 08.20 "Malmea - San Roque - Tres Olivos" are currently being drafted in order to be able to start the management of these areas.

### **4.j) Inventory of assets**

In compliance with the provisions of Article 32 of Adif AV statutes, which expressly states: "The entity shall draw up and keep updated the inventory of its assets and rights. The inventory shall be updated annually with reference to 31 December and shall be submitted to the Board of Directors for approval in the first quarter of the following year", it is proposed that the Board of Directors approve the Inventory of assets and rights detailed in Appendix I which forms part of these annual accounts in accordance with the following considerations:

- Adif AV has an Accounting Inventory that supports the gross and net valuations of the assets that make up the tangible, intangible and real estate fixed assets put into operation at the close of each financial year and that justify and detail the balance sheet masses set out in the aforementioned Annex that forms part of the annual accounts.
- The recording and valuation criteria are in accordance with the criteria established by the 2007 General Accounting Plan and other applicable sectorial regulations or resolutions.
- Throughout the financial year, this accounting inventory is constantly reviewed and updated, recording, among other updates, additions due to the transfer of work in progress that enters into service and possible write-offs or impairment of its value, arising from renovation investments that the entity has undertaken and other events or circumstances that require the corresponding write-off or impairment of the elements that make up this accounting inventory.

## **(5) Investments in Group Companies and Associates**

### **5.a) Non-current equity instruments in Group companies and associates**

The movements for the period ended 31 December 2020 and 2019, in thousands of euros, in the accounts composing this caption are detailed in the tables below:

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	31/12/2020 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2020	10,026	-	(1,583)	8,443
Additions	-	-	-	-
Withdrawals	-	-	-	-
<b>Balance at 31 December 2020</b>	<b>10,026</b>	<b>-</b>	<b>(1,583)</b>	<b>8,443</b>

	31/12/2019 Thousands of Euros			
	Investments in Group companies and associates	Uncalled equity holdings	Provisions	Total
Balance at 1 January 2019	9,966	-	(1,578)	8,388
Additions	60	-	(5)	55
Withdrawals	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>10,026</b>	<b>-</b>	<b>(1,583)</b>	<b>8,443</b>

Appendix II contains a detail of the main investees domiciled in Spain and related information.

Among the holdings in associated companies, we would highlight those corresponding to companies whose corporate purpose is the integration of railways in various cities. These companies were set up under the agreements signed between the Ministry of Development, the Public Business Entities attached to the Ministry with competences in railway matters and the Public Administrations involved in each of the cities concerned (Autonomous Community and City Council), with a 50% shareholding in their capital between the General State Administration and the local and autonomous community administrations. This model aims to unite all the parties with an interest in the project, achieving the integration of the railway in various cities with the contributions of the partners and with the placing on the market of the urban development benefits derived from land freed from railway use resulting from the planned actions. Throughout 2019, new agreements or addenda to pre-existing agreements were signed with certain integration companies. Specifically, agreements were signed for the cities of Alicante, Gijón and Murcia, which respectively affect the integration companies Alta Velocidad Alicante Nodo de Transporte, S.A., Gijón al Norte, S.A., and Murcia AV, S.A. In addition, at the date of preparation of these financial statements, the agreement for the financing of the Access Channel Phase 3 within the framework of the Valencia Parque Central Company and the cooperation agreement signed in 2019 is pending drafting and signing. On the other hand, during 2020 no new agreement has been signed that modifies or updates the agreements signed since 2002 from which the Integration Companies derive.

In addition, on 4 December 2012, the Extraordinary and Universal General Meeting of León Alta Velocidad 2003, S.A. resolved to dissolve the company in order to proceed to liquidation as soon as possible. The aforementioned meeting also agreed on the acquisition by ADIF of the railway infrastructure works carried out by the company. ADIF-AV's management considers that as a result of this process, ADIF-AV will not have to assume significant liabilities.

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### 5.b) Non-current loans to Group companies and associates

Details of non-current loans to Group companies and associates at 31 December 2020 and 31 December 2019 are as follows:

Concept	Thousands of Euros	
	31/12/2020	31/12/2019
Zaragoza Alta Velocidad 2002, S.A.	113,256	113,256
Cartagena AVE, S.A.	1,080	-
Murcia AVE, S.A.	69,694	19,763
Logroño Integración del Ferrocarril 2002, S.A.	-	42,144
Gijón al Norte, S.A.	-	12,739
Valladolid Alta Velocidad, 2003, S.A.	267,510	267,510
Valencia Parque Central Alta Velocidad 2003, S.A.	-	51,123
Alta Velocidad Alicante Nodo del Transporte, S.A.	415	181
Palencia Alta Velocidad, S.A.	-	610
<b>Total non-current loans to Group companies and associates</b>	<b>451,955</b>	<b>507,326</b>
Provision for impairment	(27,015)	(27,625)
	<b>424,940</b>	<b>479,701</b>

These amounts correspond to loans granted by the Entity from 1 January, 2013 and those that were assigned to it in the segregation process and that were not impaired as of 31 December, 2012. At that date, ADIF-AV was assigned loans granted by ADIF to the Integración Zaragoza Alta Velocidad 2002, S.A. for a nominal value of 30,279 thousand euros and to Palencia Alta Velocidad for a nominal value of 410 thousand euros. These were totally impaired and therefore in compliance with the accounting regulations and were allocated to ADIF-AV for its net amount, i.e. for zero euros. Therefore, they are not reflected in the above table. The impaired amount of 27,015 thousand euros as of 31 December 2020 and 27,625 thousand euros as of 31 December 2019 correspond to loans granted to the company Zaragoza Alta Velocidad 2002, S.A and Palencia Alta Velocidad, S.A.

The situation at 31 December 2020 and 31 December 2019 in relation to loans granted to its long-term investees at nominal value is shown in the table below:

Company	Thousands of Euros	
	31/12/2020	31/12/2019
Zaragoza Alta Velocidad 2002, S.A.	143,535	143,535
Cartagena Alta Velocidad, S.A.	1,080	-
Murcia Alta Velocidad, S.A.	69,694	19,763
Logroño Integración Ferrocarril 2002, S.A.	-	42,144
Gijón al Norte, S.A.	-	12,739
Valladolid Alta Velocidad 2003 S.A.	267,510	267,510
Valencia Parque Central Alta Velocidad 2003, S.A.	-	51,123
Alta Velocidad Alicante Nodo del Transporte, S.A.	415	181
Palencia Alta Velocidad, S.A.	-	610
	<b>482,234</b>	<b>537,605</b>

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The company Valladolid Alta Velocidad 2003, S.A, as a result of its financial situation, has not been able to meet its obligations with the creditors in the framework of the financing agreements signed. Consequently, on 27 June 2017, the Board of Directors of ADIF Alta Velocidad authorized the signing of the agreement for the cancellation of the syndicated line of credit agreement and the interest rate hedging agreements of the Participated Company Valladolid Alta Velocidad 2003, S.A. In said agreement, the accrediting entities would waive the collection of 11,760 thousand euros for the definitive cancellation of the credit and of the coverage and ADIF, ADIF-Alta Velocidad and RENFE Operadora would pay a maximum of 341,205 thousand euros.

Additionally, and derived from the subscription of the aforementioned new agreement, ADIF AV has disbursed a total of 118.16 million euros on 23 November 2017 for the total cancellation of the Company's debt derived from the credit agreement with banking entities.

As established in the new agreement, the contributions already made by ADIF AV as well as those that it undertakes to make will be reimbursed by Valladolid Alta Velocidad with the capital gains generated in the land transfer process and according to the priority of collections established in the signed Agreement. The first amounts obtained were allocated to the cancellation of the debt acquired by the Company with the three EPEs assigned to the Ministry of Development as a result of the cancellation of the loan and of the hedge contracts subscribed by Valladolid Alta Velocidad 2003, SA.

Likewise, ADIF, ADIF AV and Renfe Operadora in order to guarantee the return of the amounts contributed for the cancellation of the credit agreement and the interest rate hedging contracts may expressly reserve ownership of the land freed from the railway use and that they could be contributed to the Company or constitute an explicit resolution condition thereon. In the case of having been land released for rail use contributed to Valladolid Alta Velocidad 2003, SA will be constituted by the Company a pledge of chattel mortgage, or if applicable, real estate in favour of the three SPEs on any Project assets included in the balance of that, being granted to ADIF, ADIF AV and RENFE Operadora irrevocable power for the constitution of mortgage or pledge on assets for a value equivalent to the total amount paid for the cancellation of the aforementioned contracts.

In relation to the loans granted by the Entity to various investees related in the previous tables, in addition to the loan impairments included in the first breakdown, the amounts have been recorded under Provisions for risks and expenses (see note 10) that the Entity estimates it will have to pay in the future derived from the comfort letters or letters of commitment assumed by ADIF AV or by the loans granted by the Entity to various companies and for which there is a probability of non-recovery based on current estimates of future cash flows expected by the investee as explained in notes 2.c, 3.i and note 23.

Derived from the recent subscription of agreements with integration companies in urban environments or from modifications or addenda to existing agreements, ADIF-AV has assumed commitments of estimated future financial contributions based on the best available estimate of the actions to be undertaken at the time of their subscription. These contributions committed in certain agreements, such as the one signed with Murcia AV, have materialised in the form of loans granted to these companies, which are recorded in the Entity's current or non-current assets depending on their maturity (see note 5.c). The amount of the monetary contribution commitments assumed by Adif-AV as of 31 December 2020 is shown below. These contributions may be formalized as advances for future work to be received or as participative loans.

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31 December 2020 - Thousands of Euros

Company	2021	2022	2023	2024	2025	Resto	TOTAL
Alta Velocidad Alicante Nodo del Transporte, S.A	723	540	244	4,344	4,344	9,120	19,315
Almería A.V, S.A.	800	2,400	16,062	46,394	46,394	16,062	128,111
Cartagena A.V, S.A.	-	-	-	-	-	82,200	82,200
Logroño Integración del Ferrocarril 2002, S.A.	5,702	-	-	-	-	-	5,702
Murcia Alta Velocidad, S.A.	125,300	99,929	36,999	11,106	1,985	312	275,631
Valencia Parque Central A.V. 2003, S.A.	26,378	52,756	52,756	26,378	-	-	158,268
Valladolid Alta Velocidad 2003, S.A.	20,814	10,461	9,903	9,840	6,678	7,520	65,216
<b>Total</b>	<b>179,717</b>	<b>166,086</b>	<b>115,964</b>	<b>98,062</b>	<b>59,401</b>	<b>115,214</b>	<b>734,443</b>

**5.c) Current investments in Group companies and associates**

The balance of the heading “Loans to companies” at 31 December 2020 and 31 December 2019 is as follows:

Concept	Thousands of Euros	
	31/12/2020	31/12/2019
Short-term loans to group companies and associates	192,507	67,255
Loans for disposal of fixed assets	28,760	24,313
Other financial assets	(31,346)	(26,259)
	<b>189,921</b>	<b>65,309</b>

The heading of short-term loans to group companies and associates corresponds to the loans granted to its investees, with maturity within one year, at nominal value and with the following breakdown:

Concept	Thousands of Euros	
	31/12/2020	31/12/2019
Cartagena Alta Velocidad, S.A.	-	1,080
Murcia Alta Velocidad, S.A.	-	3,400
Gijón al Norte, S.A.	12,739	-
Palencia Alta Velocidad, S.A.	610	-
Alta Velocidad Alicante Nodo del Transporte, S.A.(AVANT)	-	30
León Alta Velocidad, 2003, S.A.	1,976	1,976
Valladolid Alta Velocidad 2003, S.A.	1,843	1,843
Valencia Parque Central Alta Velocidad 2003 S.A.	51,124	-
Logroño integración del Ferrocarril 2002, S.A.	52,945	-
Barcelona Sagrera Alta Velocitat, S.A.	71,270	58,956
<b>Total Short-term loans to Group companies and associates</b>	<b>192,507</b>	<b>67,285</b>
Provision for impairment	(2,586)	(1,976)
	<b>189,921</b>	<b>65,309</b>

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**(6) Other Financial Assets**

The breakdown by category of financial assets, excluding investments in equity of group and associated companies (see note 5), except the balances with Public Administrations (see note 12), at 31 December 2020 and 31 December 2019, is as follows:

31/12/2020 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,244	1,244
Available-for-sale assets	1,754	-	1,754
<b>Total non-current financial assets</b>	<b>1,754</b>	<b>1,244</b>	<b>2,998</b>
Current financial assets			
Loans and receivables	29	187,362	187,391
<b>Total current financial assets</b>	<b>29</b>	<b>187,362</b>	<b>187,391</b>

31/12/2019 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Loans and receivables	-	1,328	1,328
Available-for-sale assets	1,739	-	1,739
<b>Total non-current financial assets</b>	<b>1,739</b>	<b>1,328</b>	<b>3,067</b>
Current financial assets			
Loans and receivables	136	235,074	235,210
<b>Total current financial assets</b>	<b>136</b>	<b>235,074</b>	<b>235,210</b>

These amounts are broken down into the following balance sheet items, as of 31 December 2020 and 31 December 2019:

31/12/2020 Thousands of Euros			
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,754	876	2,630
Non-current trade receivables	-	368	368
<b>Total non-current financial assets</b>	<b>1,754</b>	<b>1,244</b>	<b>2,998</b>
Current financial assets			
Current financial assets	29	-	29
Trade and other receivables	-	187,362	187,362
<b>Total current financial assets</b>	<b>29</b>	<b>187,362</b>	<b>187,391</b>

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	31/12/2019 Thousands of Euros		
	Equity instruments	Loans, derivatives and other	Total
Non-current financial assets			
Non-current financial investments	1,739	873	2,612
Non-current trade receivables	-	455	455
<b>Total non-current financial assets</b>	<b>1,739</b>	<b>1,328</b>	<b>3,067</b>
Current financial assets			
Current financial assets	136	-	136
Trade and other receivables	-	235,074	235,074
<b>Total current financial assets</b>	<b>136</b>	<b>235,074</b>	<b>235,210</b>

The carrying amount of these financial assets does not differ significantly from their fair value.

#### 6.a) Investments

The breakdown of financial investments at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Equity instruments (see Appendix II)	1,994	-	1,979	-
Impairment	(240)	-	(240)	-
<b>Total equity instruments</b>	<b>1,754</b>	<b>-</b>	<b>1,739</b>	<b>-</b>
Other financial assets (deposits, guarantees and other credits)	876	29	873	136
	<b>2,630</b>	<b>29</b>	<b>2,612</b>	<b>136</b>

##### 6.a.1) Equity instruments

Equity instruments are the Entity's holdings in companies over whose management it does not have significant influence. The Entity's interest in each of these companies is less than 20%.

Annex II shows a detail of the main investees that are domiciled in Spain, and the information related to them.

#### 6.b) Trade and other receivables

The breakdown of trade and other receivables at 31 December 2020 and 31 December 2019 is as follows:

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	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Group companies and associates				
Receivables (Note 6.b.1))	-	271	-	568
Unrelated parties				
Trade receivables (Note 6.b.2))	-	51,861	-	124,350
Other receivables (Note 6.b.3))	368	135,218	455	110,127
Personnel	-	12	-	29
	<b>368</b>	<b>187,362</b>	<b>455</b>	<b>235,074</b>

**6.b.1) Group Companies and Associates**

The detail of the balances of these accounts of current assets in the accompanying balance sheet as of 31 December 2020 and 31 December 2019, is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
	Current	Current
Murcia Alta Velocidad S.A.	181	485
Barcelona Sagrera Alta Velocitat, S.A.	91	91
Ingeniería y Economía del Transporte (INECO)	(1)	(8)
	<b>271</b>	<b>568</b>

**6.b.2) Trade receivables**

As of 31 December 2020, the account trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 32,734 thousand euros and additionally the amount accrued and pending settlement for the amount of 18,808 thousand euros. It also includes, for a value of 284 thousand euros, the liquidated and pending collection income for Railway Taxes.

As of 31 December 2019, the account trade receivables for sales and provision of services includes the balance settled and pending collection for railroad fees for the amount of 61,111 thousand euros and additionally the amount accrued and pending settlement for the amount of 62,976 thousand euros. It also includes, for a value of 263 thousand euros, the liquidated and pending collection income for Railway Taxes.

**6.b.3) Other receivables**

The detail at 31 December 2020 and 31 December 2019 is as follows:



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	Thousands of Euros	
	31/12/2020	31/12/2019
Agreements with rail operators	56,516	36,826
Fibre-optics rental	9,595	9,335
Amounts due to ADIF-AV from ADIF	3,034	3,401
Other rentals	25,662	3,258
Other items	21,331	26,080
Services rendered pending invoice		
Agreements with rail operators	1,760	14,553
Agreements with ADIF	32,610	28,644
Other	(7,864)	(3,226)
Impairment of trade receivables	(7,426)	(8,744)
<b>Total other receivables</b>	<b>135,218</b>	<b>110,127</b>

The agreements with railway operators correspond mainly to Renfe Operadora and its group.

The balance receivable from ADIF at 31 December 2020 and at 31 December 2019 corresponds to services rendered to ADIF billed up to that date and pending billing, based on the additions listed in note 1.

The movement of valuation adjustments for impairment of short and long-term receivables at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Balances at 1 January	-	(8,744)	-	(9,104)
Provisions, reversals and/or applications during the year	-	1,318	-	360
Balances at 31 December 2020	-	<b>(7,426)</b>	-	<b>(8,744)</b>

## (7) Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Cash on hand and at banks	278,335	366,221
Cash equivalents	75,000	-
	<b>353,335</b>	<b>366,221</b>

## (8) Equity

Details of and movement in equity are shown in the statement of changes in equity.

## Notes to the Annual Accounts 31 December 2020

### 8.a) Equity contribution

In the financial year 2020, the General State Budget 2019, which in turn was an extension of the 2018 budget, has been extended. As at 31 December 2020, 311,574 thousand euros have been received on account of the amount appropriated in the General State Budget for the financial year 2018 extended for 2019. (see note 1.c).

At 31 December 2019, the full amount appropriated in the General State Budget for the year 2019, amounting to 311,574 thousand euros, had been received. (see note 1.c)

Since 2015, the Entity proceeded to delimit, evaluate and register those lands which, although they were owned, were not recorded in the accounts basically for acquisitions or very old expropriations, some of which were carried out by the old companies that were integrated into the Spanish National Network Railways. As a result of this process of updating the inventory, the Entity has recognized land valued at 48,315 thousand euros in its fixed assets, which were recorded as equity contributions in those years. The Entity has already completed this process of registering and delimiting the land.

### 8.b) Reserves

The movement in the Reserves heading at 31 December 2020 and 31 December 2019 is as follows:

	31/12/2020 Thousands of Euros		
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2019	(427)	29,948	29,521
Recognition of actuarial gains and losses and other adjustments	209	-	209
<b>Balance at 31 December 2020</b>	<b>(218)</b>	<b>29,948</b>	<b>29,730</b>

	31/12/2019 Thousands of Euros		
	Reserves for actuarial gains and losses	Other reserves	Total
Balance at 31 December 2018	(296)	38.627	38.331
Recognition of actuarial gains and losses and other adjustments	(131)	(8.679)	(8.810)
<b>Balance at 31 December 2019</b>	<b>(427)</b>	<b>29.948</b>	<b>29.521</b>

In 2019, the reserves arising in 2013 from the segregation of ADIF experienced a downward variation of 8,679 thousand euros. This amount is due to the fact that at the time of the segregation, the works carried out on the Tocón-Pinos Puente conventional gauge section were assigned to ADIF-AV when they should have remained in ADIF insofar as they were not going to be used for their readaptation to international gauge. The works on the aforementioned section therefore form part of ADIF's investments as at 31 December 2019 and were removed from ADIF-AV on that date.

### 8.c) Proposed application of loss for the year

The Entity's Management proposes that the 179,242 thousand euros losses for 2019 be carried forward as prior years' losses, under the equity item "Retained earnings".

## Notes to the Annual Accounts

### 31 December 2020

On 31 March 2020, the Board of Directors of ADIF-AV approved the proposals of the Board of Directors mentioned above.

The Entity's Management proposes the application of the loss for the 2020 for the amount of 460,861 thousand euros, under the equity item "Retained earnings".

#### 8.d) Valuation adjustments

The amount recognised in equity during 2020 and 2019, as well as the amounts reclassified from equity to finance expenses in the income statement in these years are disclosed in the statement of recognised income and expense, which forms part of the statement of changes in equity for each year,

The equity for the 2020 and at 2019 reflects the variations in the fair value of the derivative arranged by the Entity. Due to the fluctuations in interest rates these show a loss in value (see Note 11.a.2).

#### (9) Grants, Donations and Bequests

The balance of this section of the accompanying balance sheet as of 31 December 2020 and 31 December 2019 includes the non-refundable capital grants pending attribution to income.

The movement registered on 31 December 2020 and 31 December 2019 is detailed in the attached tables:

	31/12/2020 Thousands of Euros					
	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed <sup>(1)</sup>	Other capital grants	Total capital grants
Balances at 31 December 2019	<b>4,767,301</b>	<b>2,977,861</b>	<b>319,989</b>	<b>2,491,973</b>	<b>264,367</b>	<b>10,821,491</b>
Additions	-	<b>397,810</b>	<b>23,945</b>	-	<b>5,626</b>	<b>427,381</b>
<i>European funds accrued in the year</i>	-	<i>397,810</i>	<i>23,945</i>	-	-	<i>421,755</i>
<i>Other capital grants</i>	-	-	-	-	<i>5,626</i>	<i>5,626</i>
Withdrawals	-	-	-	-	(408)	(408)
Tax effect of capital grants accrued during the year (note 12)	-	(99,452)	(5,986)	-	(1,305)	(106,743)
Allocation to income of net capital grants tax effect (note 17)	(35,614)	(27,544)	(3,334)	(21,134)	(2,815)	(90,441)
<b>Balances at 31 December 2020</b>	<b>4,731,687</b>	<b>3,248,675</b>	<b>334,614</b>	<b>2,470,839</b>	<b>265,465</b>	<b>11,051,280</b>

<sup>(1)</sup> RD ley 22/2012 and RD-ley 4/2013

Notes to the Annual Accounts  
31 December 2020

	31/12/2019 Thousands of Euros					
	Cohesion Funds	ERDF funds	TEN-T funds	State grants for work performed <sup>(1)</sup>	Other capital grants	Total capital grants
Balances at 31 December 2018	4,783,208	2,924,074	321,623	2,323,171	266,941	10,619,017
Additions	24,764	100,022	1,599	252,474	245	379,104
European funds accrued in the year	24,764	100,022	1,599	-	-	126,385
Actions received by SEITTSA (note 4)	-	-	-	252,474	-	252,474
Other capital grants	-	-	-	-	245	245
Withdrawals	-	-	(2,115)	(211)	-	(2,326)
Tax effect of capital grants accrued during the year (note 12)	(6,191)	(25,006)	129	(63,065)	(61)	(94,194)
Allocation to income of net capital grants tax effect (note 17)	(34,480)	(21,229)	(1,247)	(20,396)	(2,758)	(80,110)
<b>Balances at 31 December 2019</b>	<b>4,767,301</b>	<b>2,977,861</b>	<b>319,989</b>	<b>2,491,973</b>	<b>264,367</b>	<b>10,821,491</b>

<sup>(1)</sup> RD ley 22/2012 and RD-ley 4/2013

**9.a) Cohesion Funds**

Details of Cohesion Funds at 31 December 2020 and 2019, without taking into account the tax effect and including the amounts accrued for payables convertible into grants, are as follows:

	31/12/2020 Thousands of Euros			
STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	3,342,953	3,342,953	-	3,342,953
Madrid-Lérida	2,112,357	2,112,357	-	2,112,357
Lérida-Martorell	790,698	790,698	-	790,698
Martorell-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,415,083	1,415,083	-	1,415,083
<b>TOTAL</b>	<b>6,885,156</b>	<b>6,885,156</b>	<b>-</b>	<b>6,885,156</b>

Notes to the Annual Accounts  
31 December 2020

31/12/2019 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	3,342,953	3,342,953	-	3,342,953
Madrid-Lérida	2,112,357	2,112,357	-	2,112,357
Lérida-Martorell	790,698	790,698	-	790,698
Martorell-Barcelona	439,898	439,898	-	439,898
L.A.V. Madrid-Valladolid	1,553,670	1,553,670	-	1,553,670
L.A.V Madrid-Levante	573,450	573,450	-	573,450
Cohesion Funds 2007-2013	1,415,083	1,415,083	-	1,415,083
<b>TOTAL</b>	<b>6,885,156</b>	<b>6,885,156</b>	<b>-</b>	<b>6,885,156</b>

**9.b) European Regional Development Fund (ERDF)**

Details of European Regional Development Funds at 31 December 2020 and 31 December 2019, without taking into account the tax effect, including the amounts accrued for debts convertible into grants, are as follows:

31/12/2020 Thousands of Euros

OPERATING PROGRAMME	PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTION S MADE
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance Alicante	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Túneles de Pajares	283,995	283,995	-	283,995
ASTURIAS	Túneles de Pajares	107,873	107,873	-	107,873
ERDF 2007-2013		2,275,323	2,275,323	-	2,275,323
ERDF 2014-2020		755,260	553,618	100,028	579,239
<b>TOTAL</b>		<b>4,694,262</b>	<b>4,492,620</b>	<b>100,028</b>	<b>4,518,241</b>

Notes to the Annual Accounts  
31 December 2020

31/12/2019 Thousands of Euros

OPERATING PROGRAMME	PROJECT	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
ANDALUCIA	Córdoba - Málaga	883,614	883,614	-	883,614
CASTILLA Y LEÓN	Segovia - Valladolid	193,256	193,256	-	193,256
MURCIA	Entrance Murcia	28,412	28,412	-	28,412
CASTILLA LA MANCHA	Entrance Toledo	67,127	67,127	-	67,127
VALENCIA	Entrance Alicante	99,402	99,402	-	99,402
CASTILLA Y LEÓN	Túneles de Pajares	283,995	283,995	-	283,995
ASTURIAS	Túneles de Pajares	107,873	107,873	-	107,873
ERDF 2007-2013		2,273,790	2,273,790	-	2,275,323
ERDF 2014-2020		232,718	155,639	375,805	457,434
<b>TOTAL</b>		<b>4,170,187</b>	<b>4,093,108</b>	<b>375,805</b>	<b>4,396,436</b>

**9.c) Community financial aid to trans-European networks (TEN)**

The situation as of 31 December 2020 and 31 December 2019 of the TEN funds, without considering the tax effect and including the amounts accrued for debts convertible into subsidies, is as follows:

31/12/2020 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	80,694	80,694	-	80,694
L.A.V. Madrid-Valladolid	20,603	20,603	-	20,603
L.A.V. Madrid-Levante	61,320	61,320	-	61,320
Ferroviario a Asturias New Access	3,192	3,191	-	3,191
L.A.V. Vitoria-Bilbao-San Sebastián y Valladolid-Burgos-Vitoria	158,182	142,008	7,422	149,011
L.A.V. Madrid-Extremadura	35,881	35,881	-	35,881
L.A.V. Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	128,226	112,994	279	101,275
Other High-Speed	12,055	5,980	618	5,963
<b>TOTAL</b>	<b>502,327</b>	<b>464,845</b>	<b>8,319</b>	<b>460,112</b>

## Notes to the Annual Accounts 31 December 2020

31/12/2019 Thousands of Euros

STRETCH	ASSISTANCE GRANTED	GRANTS ACCRUED	PAYABLES CONVERTIBLE INTO GRANTS (Note 11,b)	COLLECTIONS MADE
L.A.V. Madrid-Barcelona-Frontera francesa	80,694	80,694	-	80,694
L.A.V. Madrid-Valladolid	20,603	20,603	-	20,603
L.A.V. Madrid-Levante	61,320	61,320	-	61,320
Ferrovionario a Asturias New Access	3,192	3,191	-	3,191
L.A.V. Vitoria-Bilbao-San Sebastián y Valladolid-Burgos-Vitoria	332,365	130,882	18,098	148,968
L.A.V. Madrid-Extremadura	35,881	35,881	-	35,881
L.A.V. Bobadilla-Granada	2,174	2,174	-	2,174
Mediterranean Corridor	86,722	101,261	-	91,383
Other High-Speed	6,539	4,894	-	4,653
<b>TOTAL</b>	<b>629,490</b>	<b>440,900</b>	<b>18,098</b>	<b>448,867</b>

### 9.d) Capital subsidies for railway infrastructure deliveries and other subsidies

Grants for deliveries of State works include the value of the works and land received without consideration by ADIF from MITMA under Royal Decree-Law 4/2013 of 22 February and which in application of Royal Decree-Law 15/2013 of 13 December become the property of ADIF AV, including the Vigo-Santiago section of the Atlantic axis or the AV link with the Mediterranean corridor. (See notes 3.b, 3.g and 4). In addition, the actions entrusted by the National Government to SEITTSA and which ADIF AV has been receiving free of charge under the recasting agreement of 25 August 2015 are also considered. In both cases, these subsidies were reduced, where appropriate, by the depreciation of the assets received.

Other subsidies include those relating to contributions received from other bodies such as State Ports when they finance infrastructure projects owned by ADIF AV.

### (10) Provisions for Liabilities and Charges

The breakdown by item in the section of the balance sheet for provisions for current and non-current risks and expenses as of 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Employee benefits	<b>836</b>	<b>698</b>	<b>985</b>	<b>613</b>
-Defined benefit plans	836	6	985	11
<i>Length-of-service bonuses</i>	141	5	160	10
<i>Provision for leisure travel, retired personnel</i>	695	1	825	1
-Other employee benefits	-	692	-	602
Other provisions	<b>946,991</b>	<b>51,456</b>	<b>811,650</b>	<b>75,618</b>
Provisions for legal proceedings	814,507	-	684,388	-
"1,5% for culture" provision	-	5,117	-	11,062
Other items (note 10.b.3 and note 23)	132,484	46,339	127,262	64,556
	<b>947,827</b>	<b>52,154</b>	<b>812,635</b>	<b>76,231</b>

Notes to the Annual Accounts  
31 December 2020

The changes in the section "Provisions for long-term risks and expenses" at 31 December 2020 and 31 December 2019 are shown in the tables below:

31/12/2020 Thousands of Euros					
Non-current provisions for liabilities and charges					
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for legal proceedings	Other items	TOTAL
<b>Balances at 01/01/2020</b>	<b>160</b>	<b>825</b>	<b>684,388</b>	<b>127,262</b>	<b>812,635</b>
Charges for the year recognised in profit and loss	11	47	2,528	5,222	7,808
Charges for the year recognised in investments	-	-	154,040	-	154,040
Financial effect of discount	1	4	-	-	5
Payments for the year	-	-	(25,407)	-	(25,407)
Transfers to current	(3)	(1)	(103)	-	(107)
Amounts taken to profit and loss			(939)		(939)
Other movements	(28)	(180)	-	-	(208)
<b>Balances at 31/12/2020</b>	<b>141</b>	<b>695</b>	<b>814,507</b>	<b>132,484</b>	<b>947,827</b>

31/12/2019 Thousands of Euros					
Non-current provisions for liabilities and charges					
	Length-of-service bonuses	Provision for leisure travel, retired personnel	Provision for legal proceedings	Other items	TOTAL
<b>Balances at 01/01/2019</b>	<b>137</b>	<b>648</b>	<b>684,802</b>	<b>131,794</b>	<b>817,381</b>
Charges for the year recognised in profit and loss	9	61	377	(4,532)	(4,085)
Charges for the year recognised in investments	-	-	51,127	-	51,127
Financial effect of discount	1	9	-	-	10
Payments for the year	-	-	(50,594)	-	(50,594)
Transfers to current	(10)	(1)	(127)	-	(138)
Amounts taken to profit and loss	23	108	-	-	131
Other movements	-	-	(1,197)	-	(1,197)
<b>Balances at 31/12/2019</b>	<b>160</b>	<b>825</b>	<b>684,388</b>	<b>127,262</b>	<b>812,635</b>

**10.a) Provisions for liabilities and charges related to personnel**

**10.a.1) Long Service bonuses**

The heading "Long Service bonuses" includes the amount of ADIF-AV's obligation, in accordance with its labour regulations, to grant a bonus to employees based on their years of service to the Entity. This award is consolidated at 30, 35 and 40 years of service and its amount is established in the 2nd collective bargaining agreement signed on 8 May 2019, which is applicable to it. The amount recorded at 31 December 2020 totals 146 thousand euros, of which a total of 141 thousand euros is presented under "Provisions for long-term liabilities and charges" and 5 thousand euros under "Provisions for short-term liabilities and charges".

The value of the fund at 31 December 2020 has been determined by means of an actuarial study based on the individual capitalisation method using the following



## Notes to the Annual Accounts

### 31 December 2020

technical parameters: annual interest rate 1.7026%, annual growth rate of 2.5% for 2021 and 2.3% for the remaining years and the ADIF permanence table based on the PERM/F-2000 actuarial table.

#### **10.a.2) Provision for future commitments for staff leisure travel**

The provision for staff leisure travel reflects the present value of commitments undertaken by ADIF-AV and accrued at 31 December 2020 for the entitlement of its personnel to rail travel at reduced prices upon retirement. This provision amounts to 696 thousand euros and is recognised under non-current provisions for liabilities and charges, of which a total of 695 thousand euros are presented in the chapter "Provisions for long-term risks and expenses" and 1 thousand euros in "Provisions for short-term risks and expenses".

The entitlement to travel at reduced prices is reflected in ADIF-AV's employment regulations for active and retired personnel and their beneficiaries. At 8 November 2006, with retrospective effect as of 1 January 2005, ADIF and RENFE Operadora signed an agreement regulating their relationship in this regard. Under the mentioned agreement, ADIF will pay RENFE Operadora the amount of fare reductions afforded to its currently-serving personnel and to personnel that retired or took pre-retirement prior to 1 January 2005.

The provision for 2020 has been determined through an actuarial study which used the following inputs:

- An average fare increase of 2% for 2021 and subsequent years.
- A technical interest of 1.7026% for passive staff and active staff.
- The actuarial table PERM/F 2000.
- Retirement age of 65.

#### **10.b) Other provisions**

##### **10.b.1) Non-Current provisions for legal proceedings**

Included under "provisions for litigation" are the estimated risks arising from labour disputes and with third parties. The Entity considers that such litigation is likely to result in an outflow of future resources. At 31 December 2020 and 31 December 2019, ADIF A.V. has recorded the present value of the best estimate of the future costs corresponding to these disputes for a total of 814,507 thousand euros and of 684,388 thousand euros respectively.

The following is a detail of these estimates:

Concept	Thousands of Euros	
	31/12/2020	31/12/2019
Risks for investment works urged by contractors	794,038	664,115
Risks for investments in land expropriated	16,548	17,666
Other risks	3,921	2,607
	<b>814,507</b>	<b>684,388</b>

## Notes to the Annual Accounts 31 December 2020

The amounts related to litigations filed by construction companies for the execution of construction contracts have been charged to the property, plant and equipment in the Balance Sheet and basically originated in claims for differences in measurements and in the determination of the price revisions. Also, for possible cost overrides caused by paralyzes and extensions of the execution time of the works. Likewise, the claims registered as a result of expropriation of land have also been recorded under the item of property, plant and equipment. The rest of the amounts reflected in the previous table were recognized in the corresponding year with a charge to the profit and loss account, according to their nature.

In addition, as of 31 December 2020, the Entity is involved in a series of litigations related predominately to claims for liability and expropriations, with the maximum risk estimated, with the best information available, at 96.696 thousand euros. This is expected to be concluded shortly and for which it is considered that an exit of resources is not probable, the reason why ADIF AV has not provisioned any amount. At year-end 2019, the maximum risk estimated by the Entity for this same concept amounted to 91.886 thousand euros.

Furthermore, on 31 December 2020, ADIF-AV acts as a claimant in a judicial process for diversion of funds through the alleged alteration of the prices of various projects for the replacement of hydraulic infrastructures affected by the execution of a high-speed line. The Entity is charged as a private accusation for being harmed by the diversion of funds and surcharges and estimates that the amount to claim could amount to 35,000 thousand euros. The Entity has considered this claim as a financial asset that has been fully impaired in 2016 under the heading "Impairment and result from disposal of financial instruments" in the accompanying income statement.

It is also worth mentioning the legal proceedings concerning the execution of works in the area of La Sagrera (Barcelona) for alleged payment of unjustified cost overruns. The Entity has carried out several external audits of works in order to assess the damage which, at the date of closure of these interim financial statements, according to the best information available, is valued at a maximum amount of 23 million euros. As the other party in this case is in insolvency proceedings, the Entity decided to impair the contingent asset valued at the best available estimate by 23 million euros against the heading "Impairment and gains or losses on disposal of financial instruments".

In March 2019, the National Commission for Markets and Competition (hereinafter CNMC) issued a resolution on file S/DC/0598/2016 Electrification and Electromechanical Railways. As stated in the aforementioned Resolution, the facts revealed the existence of agreements between the main companies in the sector with the aim of sharing out the awarding of contracts tendered by the Entity over several years. Most of the contractors affected have filed ordinary proceedings before the National Court against this Resolution issued by the CNMC. At the date of issue of these annual accounts, it is not possible to determine the impact, if any, of the practices described in the Resolution or associated procedures. However, the Company expects that this process will not have a significant impact on ADIF-AV.

### **10.b.2) "1.5% for culture" provision**

The heading "Provisions for short-term risks and expenses" includes, where appropriate, the provision for the amount pending payment for the contribution to the Spanish Historical Heritage, regulated by Law 16/1985, R.D. 111/1986 and Instruction number 43 of the Subsecretaría de Fomento dated May 16, 2014. At 31 December 2020,

## Notes to the Annual Accounts 31 December 2020

the balance was 5,117 and the payments recorded in 2020 amounted to 11,062 thousand euros.

### 10.b.3) Other items

In the heading "Other items" included in the provisions section for risks and expenses of non-current liabilities, a provision for the amount of 132,484 thousand euros and 127,262 thousand euros is included as of 31 December 2020 and 31 December 2019 respectively, corresponding to the best estimate of the risk assumed with certain railway integration companies as a result of the loans granted or the letters of commitment or comfort letter subscribed by the Entity to the extent that the investee is not capable of generating sufficient resources to repay bank loans or contributions from partners, Note 23 contains a breakdown of the aforementioned amount broken down by each of the affected companies.

In addition, the Entity included under the "Other Items" section, a provision for the estimated value of the interest on late payment of certificates of works and expropriations, in some cases claimed judicially, whose amount as of 31 December 2020 amounted to 39,705 thousand euros and which at the end of the year 2019 amounted to 60,953 thousand euros.

## (11) Financial Liabilities

Details of financial liabilities classified by category at 31 December 2020 and 31 December 2019 are as follows:

	31/12/2020 Thousands of Euros			Total
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	
Non-current financial liabilities				
Non-current trade payables	10,379,775	5,580,261	354,690	16,314,726
Total non-current financial liabilities	-	-	53,911	53,911
<b>Current financial liabilities</b>	<b>10,379,775</b>	<b>5,580,261</b>	<b>408,601</b>	<b>16,368,637</b>
Current payables				
Payables to Group companies and associates	681,309	57,375	231,315	969,999
Trade and other payables	-	-	77,195	77,195
Total current financial liabilities	-	-	416,950	416,950
<b>Non-current financial liabilities</b>	<b>681,309</b>	<b>57,375</b>	<b>725,460</b>	<b>1,464,144</b>

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	31/12/2019 Thousands of Euros			
	Loans and borrowings	Bonds	Derivatives and other financial liabilities	Total
Non-current financial liabilities				
Non-current trade payables	10,513,279	4,982,186	534,840	16,030,305
Total non-current financial liabilities	-	-	53,911	53,911
<b>Current financial liabilities</b>	<b>10,513,279</b>	<b>4,982,186</b>	<b>588,751</b>	<b>16,084,216</b>
Current payables				
Payables to Group companies and associates	663,748	55,397	219,335	938,480
Trade and other payables	-	-	84,378	84,378
Total current financial liabilities	-	-	221,707	221,707
<b>Non-current financial liabilities</b>	<b>663,748</b>	<b>55,397</b>	<b>525,420</b>	<b>1,244,565</b>

### 11.a) Loans and borrowings and bonds and other marketable securities

#### 11.a.1) Debts with credit institutions and obligations

Loans and borrowings primarily comprise debt arranged by ADIF and allocated to the Entity, subject to State approval, with the European Investment Bank and other financial institutions, including BBVA, Banco Sabadell, Banco Santander and the Spanish Official Credit Institute, to finance investments in property, plant and equipment foreseen in the Multi-Year Action Plan (MAP).

It is also worth mentioning the issues of Obligations made by the Entity from the end of May 2014 until today.

The detail of the financial liabilities of ADIF AV with credit institutions in the short and long term as of 31 December 2020 and 31 December 2019 is shown in the table below:

	Interest	31/12/2020 Thousands of Euros	
		Maturity	
		Current	Non-current
Loans in Euros (EIB)	0% to 4.415%	399,312	10,048,274
Accrued interest payable		78,913	-
<b>Total loans and borrowings (EIB)</b>		<b>478,225</b>	<b>10,048,274</b>
Loans in Euros (other entities)	0.318% to 3.795%	200,693	331,501
Accrued interest payable		2,391	-
Other loans and borrowings, for derivatives		47	2,453
<b>Total loans and borrowings (other entities)</b>		<b>203,131</b>	<b>333,954</b>
Bonds (Euros)	0.55% to 3.5%	(306)	5,580,261
Accrued interest payable on bonds		57,681	-
<b>Total bonds</b>		<b>57,375</b>	<b>5,580,261</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2020</b>		<b>738,731</b>	<b>15,962,489</b>

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		31/12/2019 Thousands of Euros	
		Maturity	
	Interest	Current	Non-current
Loans in Euros (EIB)	0% to 4.415%	367,623	10,018,586
Accrued interest payable		81,442	-
<b>Total loans and borrowings (EIB)</b>		<b>449,065</b>	<b>10,018,586</b>
Loans in Euros (other entities)	0.432% to 3.795%	213,182	494,693
Accrued interest payable		1,501	-
Other loans and borrowings, for derivatives		61	4,295
<b>Total loans and borrowings (other entities)</b>		<b>214,744</b>	<b>498,988</b>
Bonds (Euros)	0.8% to 3.5%	(39)	4,982,186
Accrued interest payable on bonds		55,436	-
<b>Total bonds</b>		<b>55,397</b>	<b>4,982,186</b>
<b>Total loans and borrowings and bonds and other marketable securities at 31 December 2019</b>		<b>719,206</b>	<b>15,499,760</b>

The financial amortization of long-term debt, valued at the closing exchange rate at 31 December 2020 and at 31 December 2019 and at amortized cost, are as follows according to the maturity:

Maturity	Thousands of Euros	
	31/12/2020	31/12/2019
2020	-	580,805
2021	600,004	612,454
2022	1,786,816	1,799,576
2023	1,120,910	1,133,627
2024	1,474,972	1,450,204
2025	1,478,085	1,451,702
2026	1,103,618	1,060,822
2027	1,094,588	1,076,257
2028	494,588	476,257
2029	494,588	476,257
2030	1,094,588	476,257
Thereafter	5,816,978	5,482,013
	<b>16,559,735</b>	<b>16,076,231</b>

The average annual interest rate on ADIF-AV's borrowings at 31 December 2020 and 31 December 2019 is 1.70% and 1.79%, respectively.

At the 31 December 2020 and 31 December 2019, the total limit on credit facilities that ADIF-AV had received from financial institutions stood at 485,000 and 510,000 thousand euros respectively. At 31 December 2020 and 31 December 2019, no amounts had been drawn down on these credit facilities. These credit facilities mature in the short term, and certain policies may be tacitly renewed each year up to a specified number of years.

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**11.a.2). Derivatives**

Details of derivatives held by the Entity at 31 December 2020 and at 31 December 2019 are as follows:

	31/12/2020 Expressed in thousands of Euros				
	Assets		Liabilities		
	Non-current tax effect	Current	Non-current financial liability	Current	Equity
Interest rate cash flow hedge	613	-	(2,453)	-	(1,840)
Collections / payments swap					
interest rate hedging	-	-	-	(47)	-
	31/12/2019 Expressed in thousands of Euros				
	Assets		Liabilities		
	Non-current tax effect	Current	Non-current financial liability	Current	Equity
Interest rate cash flow hedge	1,074	-	(4,296)	-	(3,222)
Collections / payments swap					
interest rate hedging	-	-	-	(61)	-

Interest rate swaps

The Entity uses interest rate swaps to manage its exposure to interest rate fluctuations on two bank loans with a total nominal amount of 220.84 million euros at 31 December 2020 and 331.26 million at 31 December 2019.

Derivative liabilities at 31 December 2020 include, on the one hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 220.84 million euros.

At year-end 2019, derivative liabilities included, on the one hand, the fair value of an interest rate swap contract signed in March. On the other hand, the fair value of an interest rate swap agreement (IRS) signed in March 2015 with maturity in 2022, the fixed rate being set at 1.275% to be paid by the Entity and a variable rate of Euribor at 3 months to be paid by the financial institution with a notional amount of 331.26 million euros.

The fair value of swaps is based on market values of equivalent derivative financial instruments at the date of the financial statements. This interest rate swap is effective as a cash flow hedge, so changes in the fair value of the hedge are recognized directly in equity as of 31 December 2020 and 31 December 2019.

**11.b) Other financial liabilities**

Details of other financial liabilities at 31 December 2020 and at 31 December 2019 are as follows:

## Notes to the Annual Accounts 31 December 2020

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Payables convertible into grants	275,610	-	445,626	-
Suppliers of fixed assets	71,614	231,268	79,709	217,741
ERDF aid to be repaid (note 9)	-	-	-	1,533
Deposits and guarantees	5,013	-	5,210	-
	<b>352,237</b>	<b>231,268</b>	<b>530,545</b>	<b>219,274</b>

### 11.b.1) Payables convertible into grants

At 31 December 2020 and at 31 December 2019, this account comprises European funds or grants received from other entities to finance the railway infrastructure forming part of ADIF-AV, which will be reclassified to equity and deferred tax liabilities when the grant conditions have been met. Breakdown at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
European Funds		
ERDF	100.028	375.805
TEN-T	8.319	18.098
Other		
Ministry of Development (Addenda 21/12/2009 Barcelona Sagrera (Note 1(c)))	48.290	48.290
Other grants	118.973	3.433
	<b>275.610</b>	<b>445.626</b>

### 11.b.2) Suppliers of fixed assets

At 31 December 2020, non-current payables to suppliers of fixed assets amount to 71,614 thousand euros, of which 36,384 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 25,932 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 9,298 thousand euros for the net present value of invoices to be paid to Renfe Operadora, with a long-term maturity as a result of the acquisition of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4).

At 31 December 2019, non-current payables to suppliers of fixed assets amount to 79,709 thousand euros, of which 41,613 thousand euros relates to works carried out on the Madrid-Castilla la Mancha-Valencia Autonomous Community-Murcia Region line, and 26,653 thousand euros to works on the Olmedo-Orense stretch, under a public-private partnership. Also, it includes an amount of 11,443 thousand euros for the net present value of invoices to be paid to Renfe Operadora, with a long-term maturity as a result of the acquisition of the rights of use of spaces that ADIF AV has possessed since the segregation of Renfe in 2005 (see Note 4).

In addition, the balance as of 31 December 2020 and 31 December 2019, for fixed asset suppliers includes the debt for works for own assets and expropriations for the amount of 157,268 thousand euros and 67,058 thousand euros respectively. Also the amount of

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the invoices of fixed assets suppliers receivable for a total of 74,000 thousand euros at 31 December 2020 and 150,683 thousand euros at 31 December 2019.

**11.c) Payables to Group companies and associates**

Details of the balances of these current liabilities accounts in the accompanying balance sheets at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates	Suppliers, Group companies and associates	Suppliers and payables, Group companies and associates
<b>Non-Current Liabilities</b>				
Valladolid Alta Velocidad 2003, S.A.	53,911	-	53,911	-
	<b>53,911</b>	<b>-</b>	<b>53,911</b>	<b>-</b>
<b>Current Liabilities</b>				
Ingeniería y Economía del Transporte, S.A. (INECO)	15,463	542	12,519	506
Valencia Parque Central A.V.S.A.	61,266	-	71,859	-
Valladolid Alta Velocidad 2003, S.A.	466	-	-	-
	<b>77,195</b>	<b>542</b>	<b>84,378</b>	<b>506</b>

The account payable of non-current liabilities represents the obligation to deliver land to the company Valladolid Alta Velocidad S.A. in consideration of railway works received under the delivery certificate signed in 2018 as indicated in note 4.

These payables have arisen as a result of the different commercial and non-commercial transactions carried out between the Entity and these companies.

**11.d) Trade and other payables**

The breakdown of trade and other payables at 31 December 2020 and 31 December 2019, excluding balances with public administrations, is as follows:

	Thousands	
	31/12/2020	31/12/2019
Other suppliers and payables	416,130	220,937
Suppliers and payables, Group companies and associates (Note 11.c)	542	506
Personnel	278	264
	<b>416,950</b>	<b>221,707</b>

The heading "Suppliers and various creditors " includes payables for purchases or services rendered pending payment at 31 December 2020 and 31 December 2019. This includes, among others, the amount payable to ADIF for services rendered, as detailed below. In addition, the fixed asset suppliers caption includes 33,069 thousand euros and (17,264) thousand euros of ADIF AV's debts with ADIF in this connection, at the respective dates indicated.



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	Thousands of Euros	
	31/12/2020	31/12/2019
Suppliers and creditors debt with ADIF	311,846	78,195
Agreements with ADIF for outstanding invoices	288,184	24,141
Agreements with ADIF for invoices pending processing	23,662	54,054
Suppliers of fixed assets with ADIF	33,069	(17,264)
By invoice processed	14,994	710
By invoicing pending processing	18,075	(17,974)
	<b>344,915</b>	<b>60,931</b>

The information relating to 2020 and 2019 on payments to suppliers as established by Additional Provision Three of Law 15/2010 of July 5 2010 and in accordance with the methodology established in the Resolution of the Institute of Accounting and Auditing Accounts of January 29, 2016, shown in the following table:

	31/12/2020	31/12/2019
	Days	
Average payment period to suppliers	54.86	50.58
Ratio paid operations	56.92	51.37
Ratio of outstanding payment transactions	34.81	37.42
	Thousands of Euros	
Total payments	1,550,533	1,755,053
Total outstanding payments	159,131	104,520

This calculation includes both figures relating to other suppliers and payables as well as those relating to suppliers of fixed assets.

### (12) Income Tax

The breakdown of the balances with Public Administrations as of 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
<b>Assets</b>				
Receivables for awarded funds and grants	74,407	-	75,712	-
Deferred tax assets (Note 11)	613	-	1,074	-
Current tax assets	-	26	-	33
Public entities, other receivables	-	58,288	-	37,575
<b>Total assets</b>	<b>75,020</b>	<b>58,314</b>	<b>76,786</b>	<b>37,608</b>
<b>Liabilities</b>				
Deferred tax liabilities	3,683,759	-	3,607,163	-
Current tax liabilities	-	(23)	-	(23)
Public entities, other payables	-	591	-	613
<b>Total liabilities</b>	<b>3,683,759</b>	<b>568</b>	<b>3,607,163</b>	<b>590</b>

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**12.a) Public entities, receivables**

The breakdown of the balances with debtor Public Administrations as of 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Receivables for awarded funds and grants	74,407	-	75,712	-
FEDER Alta Velocidad	74,407	-	75,712	-
Deferred tax assets (Note 11)	613	-	1,074	-
Current tax assets	-	26	-	33
Public entities, other receivables	-	58,288	-	37,575
Current VAT receivable	-	45,020	-	27,743
Receivables for awarded funds and grants	-	13,275	-	9,847
High-speed TEN funds	-	12,697	-	9,777
Other items	-	578	-	70
Other Credits (Social Security Debtor)	-	(7)	-	(15)
<b>Total assets</b>	<b>75,020</b>	<b>58,314</b>	<b>76,786</b>	<b>37,608</b>

The entire balance of receivables for current and non-current awarded funds and grants relates to accrued amounts receivable at 31 December 2020 and 31 December 2019 for European Fund assistance granted. These funds were awarded to finance the construction of high-speed lines and for investments in own assets (see Note 9).

Current tax assets relate to withholdings and payments on account of income tax recoverable from the tax authorities.

**12.b) Public entities, payables**

The breakdown of the balances with the Receivable Public Administrations as of 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	31/12/2020		31/12/2019	
	Non-current	Current	Non-current	Current
Deferred tax liabilities	3,683,759	-	3,607,163	-
Current tax liabilities	-	(23)	-	(23)
Public entities, other payables	-	591	-	613
Social Security	-	319	-	312
Withholdings	-	272	-	301
<b>Total liabilities</b>	<b>3,683,759</b>	<b>568</b>	<b>3,607,163</b>	<b>590</b>

Deferred tax liabilities that are expected to be realised or reversed in periods exceeding 12 months are those deriving from capital grants and total 3,683,759 thousand euros at 31 December 2020 and at 31 December 2019 was 3,607,163 thousand euros.

The movement registered in 2019, from 1 January 2020 to 31 December 2020 and in 2019, of the deferred tax liabilities, broken down by origin, is as follows:

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	31/12/2020 Thousands of Euros					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2019	1,589,101	992,621	106,661	830,658	88,122	3,607,163
Additions in 2020	-	99,452	5,986	-	1,305	106,743
Capital grants taken to income (Note 19)	(11,872)	(9,181)	(1,111)	(7,044)	(939)	(30,147)
Other concepts	-	-	-	-	-	-
Balances at 31 December 2020	1,577,229	1,082,892	111,536	823,614	88,488	3,683,759

	31/12/2019 Thousands of Euros					
	Cohesion Funds	ERDF Funds	TEN-T Funds	Execution of grants (1)	Other capital grants	Total
Balances at 31 December 2018	1,594,404	974,691	107,206	774,392	88,980	3,539,673
Additions in 2019	6,191	25,006	(129)	63,065	61	94,194
Capital grants taken to income (Note 19)	(11,494)	(7,076)	(416)	(6,799)	(919)	(26,704)
Other concepts	-	-	-	-	-	-
Balances at 31 December 2019	1,589,101	992,621	106,661	830,658	88,122	3,607,163

**12.c) Income tax**

The Entity taxes under the individual regime. The negative tax base amounts to 271.702 thousand euros at 31 December 2020.

The reconciliation between the accounting result for the year and the tax base is as follows:

01/01/2020 to 31/12/2020 Thousands of Euros						
	Income statement			Income and expense taken directly to equity		
	Increases	Decreases	Total	Increases	Decreases	Total
Income and expenses for the period (01/01/2020 -31/12/2020)			(460,861)			231,380
Income tax adjustments						77,056
Income and expenses before income tax			<b>(460,861)</b>			<b>308,436</b>
Permanent differences	525	(4,363)	(3,838)			
Temporary differences:						
- Originating in current year	221,907		221,907	(2,051)	(426,973)	(429,024)
- Originating in prior years		(28,910)	(28,910)			120,588
Prior taxable income of the Entity			<b>(271,702)</b>			-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)						
Taxable income						
Tax rate						
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account	-					
Pre-payments						
Income tax recoverable	-					

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The negative tax base at 31 December 2019 amounted to 74,271 thousand euros. The reconciliation between the accounting result for the year and the tax base is as follows:

01/01/2019 to 31/12/2019 Thousands of Euros

	Income statement			Income and expense taken directly to equity		
	Increases	Decreases	Total	Decreases	Increases	Total
Income and expenses for the period (01/01/2019 -31/12/2019)	-	-	(179,242)			194,514
Income tax adjustments	-	-				67,773
Income and expenses before income tax			<b>(179,242)</b>			<b>262,287</b>
Permanent differences	585	(1,656)	(1,071)			
Temporary differences:						
- Originating in current year	141,061	-	141,061	7,677	(376,778)	(369,101)
- Originating in prior years	-	(35,019)	(35,019)			106,814
Prior taxable income of the Entity			<b>(74,271)</b>			-
Offset of prior years' tax loss carry forwards (Limit 25% of GDP)						
Taxable income						
Tax rate						
Tax payment						
Deductions for double taxation						
Adjusted tax payment						
Tax payable						
Withholdings and payments on account	-					
Pre-payments						
Income tax recoverable	-					

As at 31 December 2020, there are no taxes payable in any of the tax jurisdictions and no full tax refundable or payable (7 thousand euros refundable as at 31 December 2019).

The temporary differences mentioned above in the profit and loss account had been considered as permanent differences, since the Entity's Management does not consider that sufficient positive tax bases will be generated to allow the recognition of deferred tax assets.

The detail of the temporary differences in the recognition of expenses and income for accounting and fiscal purposes is as follows:

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	Thousands of Euros			
	Income statement			
	31/12/2020		31/12/2019	
	Increases	Decreases	Increases	Decreases
- Amortisation and depreciation			-	-
- Impairment	26,693		18,475	-
- Pensions	63		82	-
- Net finance expense	195,151		122,504	-
Temporary differences originating in current year	221,907		141,061	-
- Amortisation and depreciation		(17,635)	-	(17,635)
- Impairment		(11,266)	-	(17,376)
- Pensions		(9)	-	(8)
- Net finance expense			-	-
Temporary differences originating in prior years		(28,910)	-	(35,019)

Temporary differences recorded in income and expenses and recognized directly in equity correspond to grants, donations and bequests.

The detail of the permanent differences corresponding to the financial years 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros			
	Income statement			
	31/12/2020		31/12/2019	
	Increases	Decreases	Increases	Decreases
- Other non-deductible expenses	525	-	585	-
- Exemption for double taxation of dividends	-	(4,363)	-	(1,656)

The negative tax bases of previous years to be offset, as well as their amounts, origin and terms are as follows:

Year	Limit	Originating in	Thousands of Euros		
			Pending from origin	Applied in the year	Pending
2014	N/A	ADIF-AV	19,091	-	19,091
2015	N/A	ADIF-AV	76,852	-	76,852
2016	N/A	ADIF-AV	119,130	-	119,130
2017	N/A	ADIF-AV	49,948	-	49,948
2018	N/A	ADIF-AV	72,234	-	72,234
2019	N/A	ADIF-AV	74,270	-	74,270
			<b>411,525</b>		<b>411,525</b>

Net finance costs pending deduction, including the amount, origin and deduction period, are as follows:

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Year	Limit	Originating in	Thousands of Euros
2012	N/A	ADIF (*)	128,712
2013	N/A	ADIF-AV	110,832
2014	N/A	ADIF-AV	172,657
2015	N/A	ADIF-AV	223,576
2016	N/A	ADIF-AV	193,512
2017	N/A	ADIF-AV	171,695
2018	N/A	ADIF-AV	157,374
2019	N/A	ADIF-AV	122,504
2020	N/A	ADIF-AV	195,151
			<b>1,476,013</b>

(\*) Transferred to ADIF-AV as of 1 January 2013.

Accounting amortization expenses not deductible up to the date of issuance of these annual accounts pursuant to article 7 of Law 16/2012 are as follows:

Year	Originating in	Thousands of Euros	Available until
2013	ADIF-AV	88,299	2015-2024
2014	ADIF-AV	88,050	2015-2024
		<b>176,349</b>	

These amounts will be deducted in a Straight-line method for an amount of 17,635 thousand euros during a period of 10 years from this financial year 2015 until the year 2024 as provided in that same article 7.

The Entity has the following deductions for reversal of temporary measures of transitional provision 37.1 of the Corporation Tax Law:

Thousands of Euros				
Year	Limit	Origin	Applied during year	Pending
2015	N/A	352	-	352
2016	N/A	882	-	882
2017	N/A	882	-	882
2018	N/A	882	-	882
2020	N/A	882	-	882
2019	N/A	882	-	882
		<b>4,762</b>		<b>4,762</b>

Also, the deductions pending to be applied to encourage the performance of certain activities, namely by Technological Innovation, which the Entity has, are the following:

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Thousands of Euros				
Year	Limit	Origin	Applied during year	Pending
2015	2033	42	-	42
2016	2034	68	-	68
2017	2035	70	-	70
2018	2036	71	-	71
2019	2037	72	-	72
2020	2038	82	-	82
		<b>405</b>	<b>-</b>	<b>405</b>

The following deductions are also pending for donations to non-profit entities of Law 49/2002:

Thousands of Euros				
Year	Limit	Origin	Applied during year	Pending
2017	2027	194	-	194
2018	2028	193	-	193
2019	2029	171	-	171
2020	2030	170	-	170
		<b>727</b>	<b>-</b>	<b>727</b>

The accompanying balance sheet does not include the possible tax effect of the offsetting of losses and deductions pending application, as the Entity's management does not consider it probable that these will be recoverable within the periods stipulated by current legislation.

#### 12.d) Value added tax

The Entity opted for the application of the special pro rata rule from 2014 and beyond. The tax charged on the purchase or importation of goods or services used exclusively in carrying out operations that cause the deductibility have been fully deducted.

#### 12.e) Years open to inspection

At 31 December 2020, the Company has the years 2017 to 2020 open for inspection for value added tax, 2017 to 2020 for withholding tax and 2016 to 2019 for corporation tax.

### (13) Revenue

The detail of revenue in the income statement for the years 2020 and 2019 is as follows:

	Thousands of euros	
	31/12/2020	31/12/2019
Revenue from use of rail facilities and other fees		
Use of the public service rail network	268,075	497,618
Use of stations and other rail installations	59,007	113,100
Passenger rail transport safety levy	306	262
	<b>327,388</b>	<b>610,980</b>

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The distribution of revenue at 31 December 2020 and 31 December 2019 by business segment or activity carried out by the Entity is shown in the following table:

	31/12/2020 Thousands of Euros			
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-performance network	268,075	15,883	-	283,958
Management of ADIF-AV-owned assets (passenger stations)	-	43,124	306	43,430
<b>Total</b>	<b>268,075</b>	<b>59,007</b>	<b>306</b>	<b>327,388</b>

	31/12/2019 Thousands of Euros			
	Use of the public service rail network	Use of stations and other rail infrastructures	Passenger rail transport safety levy	Total
Construction and administration of high-performance network	497,618	29,767	-	527,385
Management of ADIF-AV-owned assets (passenger stations)	-	83,333	262	83,595
<b>Total</b>	<b>497,618</b>	<b>113,100</b>	<b>262</b>	<b>610,980</b>

**13.a) Revenue from use of rail facilities**

The detail of the revenues from settlement of railway charges accrued at 31 December 2020 and 31 December 2019, broken down by the different modalities established in the Order of the Ministry of Development 38/2015 of the Railway Sector, is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Use of infrastructure	<b>268,075</b>	<b>497,618</b>
<i>Adjudication capacity</i>	52,413	90,771
<i>Use of railway lines</i>	197,085	371,362
<i>Use Transformation and distribution EET</i>	20,661	36,047
<i>Bonus Canon use RFIG lines</i>	(2,084)	(562)
Use of stations and other rail installations	<b>59,007</b>	<b>113,100</b>
<i>Use Passenger transport stations</i>	43,000	83,208
<i>Wide changers</i>	3,377	4,626
<i>Use Tracks with platform</i>	12,630	25,266
	<b>327,082</b>	<b>610,718</b>

As explained in note 22.d, the Entity's turnover has been affected by the decrease in rail traffic linked to the State of Alarm declared due to the pandemic. On 14 March 2020, the Royal Decree declaring the State of Alarm was approved, containing measures to restrict public transport services, which were subsequently extended by Order TMA/273/2020 of 24 March 2020. At the close of the 2020 financial year, the State of Alarm remains in force.

Of this revenue, at 31 December 2020, 51,542 thousand euros was pending collection as revenue from use of rail facilities in the ADIF-AV-owned network (see Note 6.b.2)).



## Notes to the Annual Accounts 31 December 2020

### 13.b) Revenue from rail rates

It is established that the taxable event of the rate is the exclusive use or the special use of goods of public railway domain that are made by concessions and authorizations, as well as, the provision of the necessary services for the granting of homologations, certifications, issuance of titles to the railway personnel, issuance of railway company licenses, safety certificates for railway companies and safety authorizations for railway infrastructure managers, by the State Agency for Railway Safety.

### (14) Other Operating Income

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Rentals and services	91,592	105,097
Utilities, basically relates to traction power	199,557	264,902
Investment actions for third parties	22,826	34,223
Services Administration Infrastructure	2,968	1,485
Other	28,300	30,534
Third-party personal services	3,186	3,161
Advertising	4,323	5,701
Diverse services	18,508	17,976
Others	2,283	3,696
	<b>345,243</b>	<b>436,241</b>

Included in this income are the derivatives of services rendered to ADIF at 31 December 2020 and 31 December 2019 under the management fees indicated in note 1, according to the following breakdown:

	Thousands of Euros	
	31/12/2020	31/12/2019
Revenue from intra-administration agreements		
NTU electricity	11,804	12,010
Maintenance of fibre optics and auxiliary installations	2,968	1,485
ADIF investment actions	10,326	16,926
Other intra-administrative services	2,677	2,003
	<b>27,775</b>	<b>32,424</b>

Revenues from leasing of real estate, premises and other properties amounting to 51,752 thousand euros at 31 December 2020. These are generated by assets included under "Investments in real estate", including those derived from long-term lease agreements.

In addition, income from optical fibre leasing amounting to 39,840 thousand euros at 31 December 2020 and 40,113 thousand euros at 31 December 2019, is recorded under this heading in the income statement.

## Notes to the Annual Accounts 31 December 2020

The amounts received in advance corresponding to long-term contracts and pending attribution to income are shown under the heading "long-term accruals", the amount of which at 31 December 2020 and 31 December 2019 amounted to 433,083 thousand euros and 462,888 thousand euros respectively. In addition, under "Short-term accruals", the amount that will be charged to income in the following year for an amount of 27,652 thousand euros is recorded at 31 December 2020.

Also included in the section long-term accruals are the revenues collected in advance at 31 December 2020 and pending allocation to results as of that date, arising from the awarding of the "Lease and exploitation of car parks located at various stations" contract. On 20 December 2013 awarded to Saba Park 3, SLU for an amount of 111,467 thousand euros once the amount corresponding to ADIF has been discounted for the parking of its ownership. The contract has a term of 10 years and was formalized on 31 January 2014.

Non-current accruals also comprise the amounts collected in advance and pending transfer to income, in connection with rentals derived from the "Concession of the Rights to Use and Manage the Operation of the fibre optic cable network and other related items owned by ADIF-AV, which are not used for the railway services" to Red Eléctrica Internacional S.A.U., hereinafter REI, for an amount of 462,000 thousand euros, excluding VAT, for a period of 20 years. This amount was awarded by the Board of Directors of ADIF-AV, at its meeting held on 25 April 2014, and was reduced by 28,300 thousand euros, as one of the clients did not accept the assignment (telecommunications operator). The remaining clients authorised the assignment of their contracts, and therefore the final award proposal was valued at 433,700 thousand euros. The agreement with REI was signed on 20 November 2014 having obtained once the approval of the Spanish National Markets and Competition Commission, the effective transaction date has been 21 November 2014. At 31 December 2014, ADIF-AV had received the entire amount relating to the assignment of the usage rights.

As of 28 December 2015 the Entity, as already mentioned in notes 3 and 4, signed an agreement with ADIF and Renfe Operadora to acquire the rights to use spaces in buildings owned by ADIF A.V. and were being used without any financial consideration by RENFE Operadora, as set out in the Order FOM 2909/2006 which allocates to that entity certain assets, rights and obligations of the National Network of Spanish Railways. Under this acquisition agreement, the Entity has leased Renfe Operadora and its subsidiaries a total of 15,887.49 m<sup>2</sup> at various stations and facilities for an annual rate of 2,406,491.64 euros and for a period of 10 years, with an option of renewing.

### (15) Personnel Expenses

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Salaries and wages	13,521	12,506
Employee benefits expense	3176	3,241
Provisions	58	70
	<b>16,755</b>	<b>15,817</b>

## Notes to the Annual Accounts 31 December 2020

Details of employee benefits expense are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Social Security payable by the Entity	3,119	3,113
Other employee benefits expenses	57	128
	<b>3,176</b>	<b>3,241</b>

The distribution of the Entity's employees by gender and category at 31 December 2020 and 31 December 2019 is as follows:

Category	Headcount 31/12/2020		
	Male	Female	Total
Administrative staff	125	51	176
Middle management	19	7	26
Operating personnel	10	6	16
	<b>154</b>	<b>64</b>	<b>218</b>

Category	Headcount 31/12/2019		
	Male	Female	Total
Administrative staff	127	48	175
Middle management	26	9	35
Operating personnel	3	5	8
	<b>156</b>	<b>62</b>	<b>218</b>

The average number of employees at each year end is shown in the following chart:

Category	Average number of employees	
	31/12/2020	31/12/2019
Administrative staff	171	176
Middle management	27	29
Operating personnel	20	8
	<b>218</b>	<b>213</b>

The breakdown by sex and categories of Entity staff at 31 December 2020 and 31 December 2019, with disability greater than 33% is shown in the following tables:

Category	Average number of employees at 31 December 2020		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

Notes to the Annual Accounts  
31 December 2020

Category	Average number of employees at 31 December 2019		
	Male	Female	Total
Administrative staff	1	-	1
Middle management	-	-	-
Operating personnel	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>

**(16) Other Operating Expenses**

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Infrastructure repairs and maintenance	327,311	336,032
Traction power	185,531	244,919
Traffic and passenger service-related services	66,502	68,497
Other supplies	30,354	33,343
Rentals and fees	10,388	10,224
Advertising and public relations	3,419	4,833
Other maintenance and repairs	2,957	2,583
Investment actions on behalf of third parties	20,519	33,116
Other	28,447	27,482
<b>Total external services</b>	<b>673,428</b>	<b>761,029</b>
Taxes other than income tax	3,455	3,991
Losses, impairment and changes in trade provisions	(1,173)	434
	<b>675,710</b>	<b>765,454</b>

The signature by ADIF and ADIF-AV of the service arrangements indicated in Note 1.b, which took place in 2013, led ADIF-AV to recognize expenses for accrued services rendered by ADIF in the amount of 392,731 thousand euros at 31 December 2020 and 413,054 thousand euros at 31 December 2019, and formalised in addenda to the service arrangements, as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Infrastructure repairs and maintenance	241,383	253,323
Fibre optic network maintenance, right of way services and right of use	12,509	13,083
Comprehensive management of safety and protection	36,740	37,187
Comprehensive management of stations	50,125	53,096
Traffic safety	3,204	1,974
Award of capacity and traffic management	26,558	29,336
Comprehensive communication services	3,208	4,520
Other agreements	19,004	20,535
	<b>392,731</b>	<b>413,054</b>

Notes to the Annual Accounts  
31 December 2020

**(17) Recognition of Grants for Fixed Assets and Other**

The breakdown of income from capital grants generated at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	Total income	
	31/12/2020	31/12/2019
Cohesion Funds	47,486	45,974
ERDF	36,725	28,305
TEN-T	4,445	1663
Other grants	31,932	30,872
	<b>120,588</b>	<b>106,814</b>

**(18) Finance Costs**

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
On loans with third parties	<b>310,523</b>	<b>329,805</b>
Interest on loans and bonds	296,507	299,605
Late payment interest for works contracts	14,016	30,200
Late payment interest for expropriations	<b>5</b>	<b>12</b>
	<b>310,528</b>	<b>329,817</b>

**(19) Finance Income**

Details of this income statement heading at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Capitalised finance costs (note 4,c))	<b>108,129</b>	<b>113,910</b>
From marketable securities and other financial instruments	<b>4,966</b>	<b>6,356</b>
<i>Interest on current investments</i>	4,477	6,130
<i>Interest on current accounts</i>	1	38
<i>Other</i>	488	188
Other finance income	<b>3,761</b>	<b>3,775</b>
From participations in equity instruments	<b>4,586</b>	<b>1,656</b>
<i>Group companies and associates</i>	4,472	1,534
<i>Other investments</i>	114	122
	<b>121,442</b>	<b>125,697</b>

Notes to the Annual Accounts  
31 December 2020

**(20) Environmental Information**

At 31 December 2020 and 31 December 2019, ADIF-AV's fixed assets included specific environmental works with a net book value of 1,283,078 and 1,222,801 thousand euros respectively, used in order to minimise environmental impacts and to protect and improve the environment, as per the following breakdown:

31 December 2020 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels _and cut-and-cover tunnels; environmental works	476,009	(11,583)	464,426
Environmental integration works	649,870	(12,130)	637,740
Other environmental works	121,323	(30,264)	91,059
<b>Total property, plant and equipment in operation</b>	<b>1,247,202</b>	<b>(53,977)</b>	<b>1,193,225</b>
<b>Work in progress</b>	<b>89,853</b>	<b>-</b>	<b>89,853</b>
<b>Total at 31 December 2020</b>	<b>1,337,055</b>	<b>(53,977)</b>	<b>1,283,078</b>

31 December 2019 - Thousands of Euros			
	Cost	Accumulated depreciation	Net book value
Tunnels _and cut-and-cover tunnels; environmental works	469,238	(10,417)	458,821
Environmental integration works	611,393	(10,736)	600,657
Other environmental works	114,553	(26,649)	87,904
<b>Total property, plant and equipment in operation</b>	<b>1,195,184</b>	<b>(47,802)</b>	<b>1,147,382</b>
<b>Work in progress</b>	<b>75,419</b>	<b>-</b>	<b>75,419</b>
<b>Total at 31 December 2019</b>	<b>1,270,603</b>	<b>(47,802)</b>	<b>1,222,801</b>

Additions at 31 December 2020 and 31 December 2019 amount to 52,018 and 45,750 thousand euros respectively and predominately correspond to preventive and corrective actions.

**(21) Information on Directors and Senior Management of the Entity**

At 31 December 2020, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Three of the Board members are female and eight are male.

At 31 December 2019, the Board of Directors comprises eleven members, the Chairman, Secretary and nine regular directors. Three of the Board members are female and eight are male.

Pursuant to article 21 of the Royal Decree 1044/2013 of 27 December 2013, which establishes ADIF-AV's statutes, no members of the Board of Directors will accrue any remuneration for attending Board meetings. (Nor have they received any remuneration for any other reason)

In accordance with to article 26 of mentioned Royal Decree 1044/2013, the Entity's senior management will not accrue any remuneration. (Neither senior management personnel have received advances or credits, nor has any commitment been made in terms of pensions or life insurance).

Notes to the Annual Accounts  
31 December 2020**(22) Financial Risk Management**

ADIF-AV is exposed to various financial risks due to its activity and the debt contracted to finance construction of the new high-speed lines. The most significant risks, which primarily affect the Entity, are as follows:

**22.a) Credit risk**

Credit risk arises primarily in relation to trade and non-trade receivables, current investments and cash equivalents.

The Entity assesses the credit ratings of its trade debtors, considering their financial position, history and other economic factors to determine individual credit limits.

With regard to current investments and cash equivalents, the Entity carries out transactions using instruments to guarantee recovery of the entire capital investment and assesses the credit rating of the financial institutions, considering the credit rating awarded by rating agencies, based on the term of the investment and calculating individual credit limits in line with specific factors (mainly the equity of the financial institution).

**22.b) Interest rate risk**

Interest rate risk arises from the variation in borrowing costs with credit institutions.

Borrowings have been arranged under several different interest rate regimes, namely fixed interest rates for bond issues and EIB loans.

The Entity has 77.96% of its outstanding debt at 31 December 2020 as a fixed rate until maturity and 13.77% at a fixed rate revisable. 78.89% of the Entity's outstanding debt, as of 31 December 2019, was at a fixed rate until maturity and 11.76% was at a fixed rate revisable.

The breakdown and quantification of financial guarantees extended to associates are provided in Note 23.

Loan transactions contracted by the Entity generally consider the possibility of changing the type of interest rate at different times over the term of the loan.

**22.c) Liquidity risk**

Liquidity risk arises from possible imbalances between cash flow requirements and sources of cash flows.

The Entity applies a prudent policy to cover its liquidity risks based on having sufficient financing through credit facilities with financial institutions.

Entity management monitors ADIF-AV's liquidity forecasts based on expected cash flows.

At 31 December 2020, the Entity's negative result is (460,861) thousand euros and its negative working capital, amounts to (755,557) thousand euros. This situation does not generate liquidity tensions for the Entity given that Law 11/2020 of 30 December of the General State Budget for 2021 establishes a budget appropriation as equity contributions in the amount of 466,173.95 thousand euros as well as a contribution to finance the result of the 2021 network administration in the amount of 50,000 thousand euros.

## Notes to the Annual Accounts 31 December 2020

It should be noted that, in accordance with the Entity's policy of optimising financial costs, in 2020 the appeal to external credit increased by 485 million euros, despite the fact that ADIF AV was authorised to increase its long-term debt in nominal terms by a total amount of 1,890 million euros.

At 31 December 2019, the Entity's result was negative by (179,242) thousand euros and its negative working capital, amounts to (643,768) thousand euros.

At 31 December 2020, as reported in note 11.a.1, the Entity has undrawn credit lines totalling 485,000 thousand euros.

On 29 January 2020, the Entity executed its seventh public bond issue, fourth under the "green bond" format, with a gross amount of 600,000 thousand euros, the liquid amount of which was paid on 12 February 2020.

On 14 August 2020, two EIB loans of 79,000 thousand euros and 50,000 thousand euros were disbursed for the INFRASTRUCTURE INSPECTION & MAINTENANCE RS and MEDITERRANEAN RAILWAY CORRIDOR projects, respectively.

On 22 December 2020, an EIB loan of 300,000 thousand euros was disbursed for the AVE MADRID EXTREMADURA project,

On 26 January 2021, the EMTN Programme was renewed on the Irish Stock Exchange and was filed with the Spanish Securities and Exchange Commission (Comisión Nacional del Mercado de Valores).

In addition, on 14 December 2020, the Minister of Finance authorised a budget modification that has led to the collection in December 2020 of 118,847 thousand euros as a subsidy for investments in Trans-European Transport Network (TEN-T) corridors.

In this context, the Entity has sufficient cash and credit lines available to meet its financial obligations, ensuring that ADIF - Alta Velocidad, with the information available, will not be significantly affected in the coming months by possible liquidity tensions or hypothetical contractions in the credit market as a result of the COVID -19 Coronavirus health crisis, the impact of which is described in note 22 d) below.

### **22.d) COVID - 19 impact**

The appearance of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries, including Spain, has led to the viral outbreak being classified as a pandemic by the World Health Organization since March 11.

To address this serious and exceptional situation, the Government has declared a State of Emergency by Royal Decree 463/2020 of 14 March, which has remained in force with successive extensions until 22 June.

In its article 14, the aforementioned Royal Decree establishes a series of measures in the field of transport, among which the following reductions in rail traffic should be highlighted:

- a) For public rail transport services, which are not subject to public contracts or public service obligations (PSOs), transport operators shall reduce the total supply of operations by at least 50 %. By decision of the Minister for Transport, Mobility and the Urban Agenda, this percentage may be changed and specific conditions laid down.



**Notes to the Annual Accounts**  
**31 December 2020**

- b) Public passenger transport services that are subject to a public contract or PSO shall reduce their total operating offer by at least the following percentages:
- i. Medium-distance rail services: 50 %.
  - ii. Medium- distance rail services-AVANT: 50 %.
- c) Suburban rail services shall maintain their offer.

Subsequently, on 25 October 2020, the Government approved the declaration of a state of alarm throughout Spain, which was extended until 9 May 2021.

In this context, the Entity, as the manager of a critical infrastructure, has been developing and implementing the necessary contingency plans to ensure the continuity of its activity in all its areas of activity with all the necessary security measures in accordance with the regulations in force.

The circumstances described above are having a negative impact, especially on the Entity's turnover, which at 31 December 2020 shows a year-on-year fall of around 46%, and the losses obtained by the Entity in the period from 1 January 2020 to 31 December 2020, which have increased by 154% compared to the losses obtained in that period of the previous year, reaching 460 million euros, ADIF - Alta Velocidad has implemented a series of measures to partially offset this effect, including the following:

- A proposal to apply discounts/allowances to encourage rail traffic growth in 2020. This proposal involves a subsidy for new long distance passenger transport services on high speed lines, with a 50% reduction in the amounts payable for modes A and B, and the addition of the fee stipulated in article 97 of the Rail Sector Act to mode B, as well as a reduction in reference traffic, traffic estimates per line and type of service from which the subsidy is applied, in order to adapt them to the situation created by the pandemic.
- A plan to rationalise expenditure has meant that at 31 December 2020, the heading of other operating expenses, amounting to 675 million euros, is 17% lower than the amounts forecast at that date and included in the Entity's budget.

At present it is not possible to foresee how long it will take to recover the number of traffic movements and occupancy levels that existed prior to this situation.

In any case, although at this time it is not possible to quantify the exact evolution of these items, it does not seem foreseeable that they will have a significant negative effect on the Entity's financial situation, taking into account the characteristics of its activity, its condition as manager of a strategic network for the transport of goods and people, as well as the contributions allocated in the general State budgets.

**(23) Commitments and contingencies**

The guarantees granted to third parties by the Entity at 31 December 2020 and 31 December 2019 amounted to 583 and 583 thousand euros respectively. The Entity's Management does not expect significant liabilities to arise, such as Consequence of the said guarantees.

## Notes to the Annual Accounts

### 31 December 2020

The Entity has also assumed comfort letters guaranteeing financing transactions entered into by various investees, which have the statutory activity of railway integration in cities. Given current property market conditions, the financial scale and technical complexity of the works to be undertaken in the coming years, and the difficulty of determining the future value of land received or to be received in exchange for these works, these companies may be unable to recover all the costs they ultimately incur. In view of the current state of the property market, ADIF-AV management is working together with the different shareholders of each of the companies to streamline their future investments based on the actual progress made in the works, to ensure their financial sustainability. ADIF-AV has assumed the obligations guaranteed by ADIF through comfort letters issued on behalf of several of these investees in proportion to the interest held in these companies as assigned by virtue of Order PRE/2443/2013.

The risk assumed by the Entity at 31 December 2020 and 31 December 2019 derived from the subscription of letters of commitment or comfort letters amounting to 4,800 thousand euros and 26,465 thousand euros respectively, in accordance with the balances provided by the cited companies at said dates and with the participation of ADIF-AV in its capital (see note 5.b).

The following is a breakdown by company of the aforementioned guarantees granted at 31 December 2020 and 31 December 2019, as well as the provisions for risks and expenses recognized by the Entity (see notes 2.c, 3.i, 5.b, 5.c and 10.b.3):

Expressed in thousands of Euros					
Company	Share capital %	Risk assumed by ADIF-AV (comfort letter)			
		Risk amount at 31/12/2020	Risk amount at 31/12/2019	Provisions at 31/12/2020	Provisions at 31/12/2019
Zaragoza Alta Velocidad 2002, S,A,	30.00%	-	-	41,369	32,476
Valencia Parque Central Alta Velocidad 2003, S,A,	30.00%	-	-	24,782	24,217
Logroño Integración del Ferrocarril 2002, S,A,	30.00%	4,800	14,400	-	-
Barcelona-Sagrera Alta Velocitat, S,A,	30.00%	-	12,065	-	4,236
Cartagena Alta Velocidad S,A,	40.00%	-	-	1,080	1,080
Murcia Alta Velocidad, S,A,	40.00%	-	-	-	-
Valladolid Alta Velocidad 2003, S,A,	30.00%	-	-	65,253	65,253
<b>Total railway integration companies</b>		<b>4,800</b>	<b>26,465</b>	<b>132,484</b>	<b>127,262</b>

## APPENDIX



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2020

Expressed in thousands of Euros

	Balance at 1.1.2020	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2020
Buildings and other constructions	1,650,204	-	32,854	(614)	65	<b>1,682,509</b>
Land and natural resources	2,553,368	32,556	5	(140)	(1,872)	<b>2,583,917</b>
<b>Total land and buildings</b>	<b>4,203,572</b>	<b>32,556</b>	<b>32,859</b>	<b>(754)</b>	<b>(1,807)</b>	<b>4,266,426</b>
Accumulated depreciation of buildings and other constructions	(369,261)	(30,012)	-	354	(23)	<b>(398,942)</b>
Provision for depreciation of buildings and other structures	(4,875)	4,875	-	-	-	-
<b>Total carrying amount of buildings and other constructions</b>	<b>3,829,436</b>	<b>7,419</b>	<b>32,859</b>	<b>(400)</b>	<b>(1,830)</b>	<b>3,867,484</b>
Track installations	31,742,769	-	1,312,697	(5,660)	(611)	<b>33,049,195</b>
Accumulated depreciation of track installations and other installations	(4,343,312)	(335,816)	-	3,443	31	<b>(4,675,654)</b>
Impairment of track installations	(25,026)	-	-	-	-	<b>(25,026)</b>
<b>Total carrying amount of track installation and other installations</b>	<b>27,374,431</b>	<b>(335,816)</b>	<b>1,312,697</b>	<b>(2,217)</b>	<b>(580)</b>	<b>28,348,515</b>
Other Property, Plant and equipment	42,147	-	155	(1,085)	-	<b>41,217</b>
Accumulated depreciation of other property, plant and equipment	(34,163)	(2,254)	-	1,065	-	<b>(35,352)</b>
<b>Total carrying amount of other property, plant and equipment</b>	<b>7,984</b>	<b>(2,254)</b>	<b>155</b>	<b>(20)</b>	<b>-</b>	<b>5,865</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>27,382,415</b>	<b>(338,070)</b>	<b>1,312,852</b>	<b>(2,237)</b>	<b>(580)</b>	<b>28,354,380</b>
Work in progress	14,441,664	1,036,006	(1,345,711)	-	-	<b>14,131,959</b>
<b>Total net property, plant and equipment</b>	<b>45,653,515</b>	<b>705,355</b>	<b>-</b>	<b>(2,637)</b>	<b>(2,410)</b>	<b>46,353,823</b>
Investment property	250,977	-	-	-	1,872	<b>252,849</b>
Accumulated depreciation of investment property	(54,965)	(4,138)	-	-	-	<b>(59,103)</b>
Investment property in progress	403	-	-	-	-	<b>403</b>
<b>Total net investment property</b>	<b>196,415</b>	<b>(4,138)</b>	<b>-</b>	<b>-</b>	<b>1,872</b>	<b>194,149</b>
Intangible assets	75,245	-	341	-	545	<b>76,131</b>
Accumulated depreciation intangible assets	(20,681)	(1,620)	-	-	(8)	<b>(22,309)</b>
Intangible assets in progress	183	19,922	(341)	-	-	<b>19,764</b>
<b>Total net intangible assets</b>	<b>54,747</b>	<b>18,302</b>	<b>-</b>	<b>-</b>	<b>537</b>	<b>73,586</b>

This appendix forms an integral part of Note 4 to the Annual Accounts for 2020 in conjunction with which it should be read.

ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Property, Plant and Equipment and Investment Property for 2019

Expressed in thousands of Euros

	Balance at 1.1.2019	Additions	Transfers	Derecognitions	Reclassifications	Balance at 31.12.2019
Buildings and other constructions	1,608,992	-	42,229	(1,017)	-	1,650,204
Land and natural resources	2,508,803	54,249	-	(839)	(8,845)	2,553,368
<b>Total land and buildings</b>	<b>4,117,795</b>	<b>54,249</b>	<b>42,229</b>	<b>(1,856)</b>	<b>(8,845)</b>	<b>4,203,572</b>
Accumulated depreciation of buildings and other constructions	(345,141)	(24,832)	-	712	-	(369,261)
Provision for depreciation of buildings and other structures	(4,875)	-	-	-	-	(4,875)
<b>Total carrying amount of buildings and other constructions</b>	<b>3,767,779</b>	<b>29,417</b>	<b>42,229</b>	<b>(1,144)</b>	<b>(8,845)</b>	<b>3,829,436</b>
Track installations	30,483,251	-	1,275,052	(14,779)	(755)	31,742,769
Accumulated depreciation of track installations and other installations	(4,034,087)	(322,281)	-	13,056	-	(4,343,312)
Impairment of track installations	(25,026)	-	-	-	-	(25,026)
<b>Total carrying amount of track installation and other installations</b>	<b>26,424,138</b>	<b>(322,281)</b>	<b>1,275,052</b>	<b>(1,723)</b>	<b>(755)</b>	<b>27,374,431</b>
Other Property, Plant and equipment	42,726	-	379	(996)	38	42,147
Accumulated depreciation of other property, plant and equipment	(32,984)	(2,171)	-	992	-	(34,163)
<b>Total carrying amount of other property, plant and equipment</b>	<b>9,742</b>	<b>(2,171)</b>	<b>379</b>	<b>(4)</b>	<b>38</b>	<b>7,984</b>
<b>Total carrying amount of track installations and other property, plant and equipment</b>	<b>26,433,880</b>	<b>(324,452)</b>	<b>1,275,431</b>	<b>(1,727)</b>	<b>(717)</b>	<b>27,382,415</b>
Work in progress	14,541,768	1,218,152	(1,317,660)	(596)	-	14,441,664
<b>Total net property, plant and equipment</b>	<b>44,743,427</b>	<b>923,117</b>	<b>-</b>	<b>(3,467)</b>	<b>(9,562)</b>	<b>45,653,515</b>
Investment property	242,132	-	-	-	8,845	250,977
Accumulated depreciation of investment property	(50,864)	(4,101)	-	-	-	(54,965)
Investment property in progress	403	-	-	-	-	403
<b>Total net investment property</b>	<b>191,671</b>	<b>(4,101)</b>	<b>-</b>	<b>-</b>	<b>8,845</b>	<b>196,415</b>
Intangible assets	74,490	-	38	-	717	75,245
Accumulated depreciation intangible assets	(19,159)	(1,522)	-	-	-	(20,681)
Intangible assets in progress	96	125	(38)	-	-	183
<b>Total net intangible assets</b>	<b>55,427</b>	<b>(1,397)</b>	<b>-</b>	<b>-</b>	<b>717</b>	<b>54,747</b>

This appendix forms an integral part of Note 4 to the Annual Accounts for 2020 in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2020

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss)	Operating profit/(loss)	Dividends received
Cartagena AVE, S,A (b),	High-speed integration in Cartagena	40.00%	-	-	604	-	-	-	-
Murcia AVE, S,A,(b)	High-speed integration in Murcia	40.00%	-	-	625	-	-	-	-
Palencia Alta Velocidad, S,A,(b)	High-speed integration in Palencia	40.00%	-	-	420	-	(30)	(30)	-
Ingeniería y Economía del Transporte, S,A, (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,978	-	88,179	18	10,841	17,508	4,472
León Alta Velocidad 2003, S,A,(b)	High-speed integration in León	37.50%	-	-	194	-	(34)	(34)	-
Logroño Integración Ferrocarril 2002, S,A,(b)	Management of high-speed rail in Logroño	30.00%	-	-	710	-	138	184	-
Valencia Parque Central Alta Velocidad 2003, S,A,(b)	High-speed integration in Valencia	30.00%	-	-	(19,083)	23,978	(199)	(201)	-
Valladolid Alta Velocidad 2003 S,A,(b)	Management of high-speed rail in Valladolid	30.00%	-	-	(49,784)	951	(2,339)	1,529	-
Gijón al Norte, S,A,(b)	High-speed integration in Gijón	30.00%	-	-	538	-	1	151	-
Zaragoza Alta Velocidad 2002, S,A,(b)	High-speed integration in Zaragoza	30.00%	-	-	(309,243)	4,794	(21,648)	(18,103)	-
Alta Velocidad Alicante Nodo Transportes, S,A,(b)	High-speed integration in Alicante	30.00%	-	-	(1,099)	1,620	-	-	-
Barcelona Sagrera Alta Velocitat S,A,(b)	High-speed integration in Barcelona	30.00%	-	-	600	-	(1,688)	(883)	-
Almería Alta Velocidad, S,A,(b)	High-speed integration in Almería	40.00%	232	-	565	7,590	(7)	(7)	-
A,V, Vitoria-Gasteizko Abiadura Handia, S,A,(b)	High-speed integration in Vitoria	40.00%	233	-	568	-	(7)	(7)	-
<b>Total shares in group companies and associates</b>			<b>8,443</b>	<b>-</b>			<b>(7)</b>	<b>107</b>	<b>4,472</b>
Enajenación de Materiales Ferroviarios, S,A,(EMFESA) (b)	Disposal and handling of unnecessary materials	12.50%	-	-	1,935	-	25	30	-
Albali Señalización, S,A,(b)		10.00%	1,131	-	13,275	-	1,499	4,128	-
Energía Olmedo Orense Phase I (e)		10.00%	508	-	7,241	-	63	1,448	-
Vía Olmedo- Pedralba (b)		10.00%	46	(240)	3,096	-	88	119	-
HIT RAIL B,V (e)		4.35%	55		3,217	-	84	84	2
<b>Total others (see note 6.a)</b>			<b>1,740</b>	<b>(240)</b>				<b>5,809</b>	<b>2</b>
<b>TOTAL</b>			<b>10,183</b>	<b>(240)</b>				<b>5,916</b>	<b>4,474</b>

a) Audited annual accounts at 31 December 2020  
(b) Provisional financial statements as at 31 December 2020  
c) Annual Accounts prepared pending audit at 31 December 2020  
(d) Provisional financial statements with draft audit report as at 31 December 2020  
(e) The data on own funds and profit/loss are for the latest available financial year, whether provisional or final.

This appendix forms an integral part of Note 5 to the Annual Accounts of 2020, in conjunction with which it should be read.



ENTIDAD PÚBLICA EMPRESARIAL  
ADIF – Alta Velocidad

Detail of associated companies as of 31 December 2019

Name	Activity	% ownership	Cost of the investment	Not disbursed	Equity	Other equity items	Profit/(loss)	Operating profit/(loss)	Dividends received
Cartagena AVE, S.A (b).	High-speed integration in Cartagena	40.00%	-	-	604	-	-	-	-
Murcia AVE, S.A.(b)	High-speed integration in Murcia	40.00%	-	-	625	-	-	-	-
Palencia Alta Velocidad, S.A.(b)	High-speed integration in Palencia	40.00%	-	-	450	-	(28)	(28)	-
Ingeniería y Economía del Transporte, S.A. (INECO)(b)	Preparation of civil and industrial railway engineering projects. Consultancy services	20.68%	7,978	-	99,318	24	21,620	27,608	1,534
León Alta Velocidad 2003, S.A.(b)	High-speed integration in León	37.50%	-	-	389	-	(22)	(22)	-
Logroño Integración Ferrocarril 2002, S.A.(b)	Management of high-speed rail in Logroño	30.00%	-	-	711	-	-	-	-
Valencia Parque Central Alta Velocidad 2003, S.A.(b)	High-speed integration in Valencia	30.00%	-	-	(18,884)	22,817	1,783	1,784	-
Valladolid Alta Velocidad 2003 S.A.(b)	Management of high-speed rail in Valladolid	30.00%	-	-	(47,440)	2,910	(3,881)	(186)	-
Gijón al Norte, S.A.(b)	High-speed integration in Gijón	30.00%	-	-	537	-	1	4	-
Zaragoza Alta Velocidad 2002, S.A.(b)	High-speed integration in Zaragoza	30.00%	-	-	(287,595)	4,793	(5,630)	(1,720)	-
Alta Velocidad Alicante Nodo Transportes, S.A.(b)	High-speed integration in Alicante	30.00%	-	-	(1,046)	1,620	(259)	(1)	-
Barcelona Sagrera Alta Velocitat S.A.(b)	High-speed integration in Barcelona	30.00%	-	-	600	-	-	-	-
Almería Alta Velocidad, S.A.(b)	High-speed integration in Almería	40.00%	232	-	572	7,590	(9)	(9)	-
A.V. Vitoria-Gasteizko Abiadura Handia, S.A.(b)	High-speed integration in Vitoria	40.00%	233	-	576	-	(8)	(8)	-
<b>Total shares in group companies and associates</b>			<b>8,443</b>	<b>-</b>				<b>27,422</b>	<b>1,534</b>
Albali Señalización, S.A.(b)		10.00%	1,131	-	13,190	-	1,238	3,994	112
Energía Olmedo Orense Fase I (b)		10.00%	508	-	7,241	-	63	1,448	-
Vía Olmedo- Pedralba (b)		10.00%	46	(240)	2,858	-	83	114	-
HIT RAIL B.V (b)		4.35%	55		3,217	-	84	84	10
<b>Total others (see note 6.a)</b>			<b>1,740</b>	<b>(240)</b>				<b>5,640</b>	<b>122</b>
<b>TOTAL</b>			<b>10,183</b>	<b>(240)</b>				<b>33,062</b>	<b>1,656</b>

a) Audited annual accounts at 31 December 2019

(b) Provisional financial statements as at 31 December 2019

c) Annual Accounts prepared pending audit at 31 December 2019

(d) Provisional financial statements with draft audit report as at 31 December 2019

(e) The data on own funds and profit/loss are for the latest available financial year, whether provisional or final.



# Management Report 2020

(Includes Non-Financial Statement)



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## 1. NON-FINANCIAL STATEMENT UNDER LAW 11/2018

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This is the second year of effect of Spanish Law 11/2018 on disclosure of non-financial and diversity information, which was published in Spain's official state gazette (Boletín Oficial del Estado) on 29 December 2018.

Adif Alta Velocidad ("Adif AV") already had a history of robust sustainability reporting. Nevertheless, the entry into force of the new Law raised the qualitative and quantitative standards of sustainability reporting in a broad sense (disclosures on how the reporting entity manages environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery) and bolstered the instruments whereby the Board of Directors performs its non-delegable duty regarding Corporate Responsibility and Sustainability in accordance with good business practices and the recommendations of regulatory bodies such as CNMV, the Spanish securities market regulator.

Non-financial reporting, involving more than 70 indicators, is intended to inform and engage our key stakeholders regarding the Company's management, performance and impacts through materiality analysis, taking into consideration the core areas of activity across four domains (business, corporate governance, social, environmental). We set out the main milestones of each year and key lines of activity taking forward our business strategy within the framework of the 2030 Strategic Plan, published annually.

Since 2017, Adif AV, for reasons of business transparency and strategic consistency, has chosen to publish an Integrated Management Report, which includes the non-financial statement and is subject to the same requirements of approval, filing and publication as the management report and the notes within the process of drawing up and issuing the financial statements. The end of the reporting period is 30 March. The purpose of the integration is to implement the latest trends in reporting and transparency, lending higher visibility to social and environmental outcomes and impacts and thus finding a better balance with the financial data that forms the bulk of the management report.

Law 11/2018 raises the bar for the transparency and reliability of non-financial reporting as a good business practice, and encourages alignment with the guidelines of the Global Reporting Initiative, GRI, as annually updated (G4 GRI). In addition, it links the G4 GRI standards with the Sustainable Development Goals (SDGs) of the United Nations 2030 Agenda that might be impacted by the reporting entity's activities. This provides a global framework for organisations and stakeholders to assess local, regional and global impacts. First, therefore, we prioritised goals according to the Company's sector and type of business to identify the key areas where the organisation can contribute and then embed the relevant goals within our corporate strategy.

From a legislative standpoint, the Company awaits the outcome of the public consultation conducted in June 2020 by the European Commission on the new Non-Financial Reporting Directive, "NFRD". The consultation sought stakeholders' views on proposed changes to Directive 2014/95/EU regarding the presentation of non-financial statements and non-financial reporting obligations. With this new Directive, the European Commission seeks to create a uniform European standard and widen the scope of reporting requirements to large unlisted companies and subsidiaries of reporting entities. This will involve the adoption of a new Non-Financial Reporting Directive that, like its predecessor, will have to be implemented within the jurisdiction of each Member State at relatively short notice, thus posing a new challenge to reporting entities.

As a state-owned enterprise that operates in the public interest and for the benefit of society, Adif AV is concerned to display exemplary management, guided by principles of transparency,

strategic consistency and good governance. With the reporting model now implemented by Adif AV, the Company seeks to become a benchmark for Spanish public utilities in the field of non-financial and diversity reporting and to raise standards of transparency and reliability, with new improvements every year.

The Company is aware that there is room for improvement, and we are working on this with a view to future reporting periods. We are implementing a system of internal control over non-financial reporting ("ICNFR") to create a specific reporting process (generation/writing/reporting or disclosure) and thus enhance effectiveness and traceability when generating NFR indicators. This nurtures increased trust and helps close the reporting circle on the strength of the reliability of our figures. As a further enhancement, we shall resume independent assurance of the non-financial statement by an independent third party under the ISAE3000 standard.

To ensure that the non-financial disclosures in the management report are reliable, we have had them assured externally by an independent third party under the ISAE3000 standard.

To conclude, non-financial reporting enables us to lend visibility to our Company's contribution to a more sustainable and balanced development model where non-financial factors are on an equal footing with financial factors.

Accurate and transparent non-financial reporting, moreover, helps the Company become better trusted and appreciated among its stakeholders. For Adif AV, what is more, it is especially important to become a benchmark on financial markets as a socially responsible securities issuer.

## 2. ABOUT US

---

***Adif AV is aware of its key role of stewardship in the Spanish railway industry. It is our responsibility to find effective ways to make the railway industry one of the core socio-economic drivers of the country. We work hard every day to provide a safe, reliable and efficient railway service while continuously adapting to new challenges.***

The state-owned enterprise Adif Alta Velocidad ("Adif AV") was formed on 31 December 2013 under a Royal Decree-Law on the restructuring of the former state-owned enterprise Administrador de Infraestructuras Ferroviarias ("Adif").

Adif AV was founded to develop and manage a high-performance railway infrastructure that is economically viable, safe, and efficient and delivers high quality, guided by a strategy to achieve sustainable development.

Our sustainability-oriented approach implies that Adif AV's strategy must integrate economic, social and environmental concerns, looking to the United Nations Sustainable Development Goals as a high-level frame of reference.



Adif AV's core purpose is to provide a **safe, reliable and efficient railway network** that creates added value. Moreover, one of the Company's cornerstones is its concern to achieve sustainability.

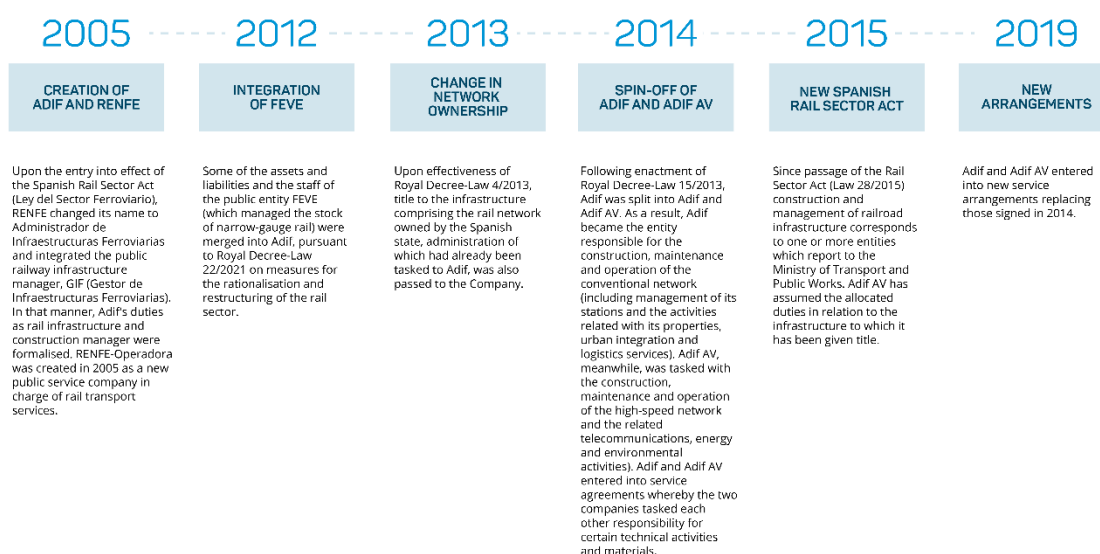
In addition, Adif AV aims to increase the market share of rail as a means of transport and create value through partnerships with other companies and institutions. As part of our high-speed rail strategy, we have radically transformed our network, and our travel times are significantly better than those of other high-speed railway lines around the world.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Most of the Adif AV network is UIC gauge (1,435 mm) double track electrified at 25 kV, compliant with European technical interoperability (ETI) specifications. By gradually implementing ETI specifications, we shall be able to provide seamless rail services from Spain to the rest of the European railway network. The duties and powers of Adif AV are set out in its own charter, under Royal Decree 1044/2013 of 27 December. We highlight the following:

- Build high-speed rail infrastructure within the RFIG (the “general interest rail network”) using its own resources, following orders given by the Ministry of Development (later renamed the Ministry of Transport, Mobility and the Urban Agenda).
- Build high-speed rail infrastructure using third-party resources under specific agreements.
- Manage infrastructure under its control.
- Supervise and inspect rail infrastructure, the related protected areas and rail traffic.
- Allocate track capacity to railway companies that request it.
- Commercially operate infrastructure under its control.
- Commercially operate high-speed railway stations.
- Buy electricity to supply the railway system.
- Provide ancillary services, including rail transport, on infrastructure under its control.
- Operate telecommunications and energy businesses.

Since Adif was formed in 2005 as a state-owned enterprise, there have been several milestones in its history. Crucially, under Royal Decree-Law 15/2013 the original corporation, Adif, was split into two new companies: Adif and Adif AV.



The operations of Adif AV are governed by the following laws and regulations:



- Law 40/2015, of 1 October, governing the Spanish public sector.
- Law 39/2015, of 1 October, governing administrative procedure, i.e., the rules on how government bodies interact with one another, with companies and institutions and with private individuals.
- Law 38/2015, of 29 September, governing the railway industry.
- Royal Decree-Law 15/2013 on the restructuring of Adif. This statutory instrument created a new state-owned enterprise, Adif Alta Velocidad.

## **ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT**

- Royal Decree-Law 4/2013 introducing measures to support entrepreneurs and stimulate growth and job creation. Adif was given ownership of the hitherto State-owned railway network under its management.
- Royal Decree-Law 22/2012 to rationalise and restructure the railways industry. Part of Ferrocarriles de Vía Estrecha (FEVE), a state-owned enterprise that operates local railways, was spun off and merged into Adif.
- Law 47/2003, of 26 November, Spain's budget act for 2003.
- Royal Decree 1044/2013 of 27 December 2013, adopting the charter of the state-owned enterprise Adif Alta Velocidad.



## 2.1. Key metrics: Adif AV at a glance

 BUSINESS	 GOOD GOVERNANCE	 EMPLOYEES	 FINANCIAL
<b>448.13*</b> million passengers/year (transit in stations with accessible travel routes). 67.31 million passengers in Adif AV accessible stations.	<b>9</b> Directors.	<b>218</b> Employees.	<b>€16,570.9 M</b> Face value of borrowings.
<b>691</b> Trains operating per day on average.	<b>12</b> Board meetings.	<b>95.87%</b> Permanent contracts.	<b>€806.7 M</b> Revenue.
<b>€2,400 M</b> of green bonds.	<b>27.27%</b> Female board representation.	<b>+20</b> Work-life balance measures.	<b>€-460.9 M</b> Loss for the year.
<b>€2,400 M</b> of green bonds.	<b>439*</b> Ethics training sessions .	<b>52.75%</b> Covered by collective agreement.	<b>€-8.5 M</b> EBITDA.
<b>3,622 km</b> of railroad under management.			
<b>166 km</b> of high-speed rail network developed.			

\* Adif + Adif AV.

## 2.2. Mission, vision and values

Adif AV is aware of the need to integrate the circular economy, social cohesion, the climate emergency, equality and diversity with railway infrastructure management, with each of these elements on an equal footing with the rest. Hence, the starting point for our business strategy is our concern to contribute to socio-economic development with actions that mitigate climate change.

Therefore, with a specific corporate purpose, in its 2030 Strategic Plan, Adif AV seeks to advance and achieve the vision, mission and values of the Company. Our vision reflects our goals for the future; our mission encompasses the actions we must take to discharge our assigned duties; finally, our values are the principles that must guide our employees to successfully perform the Company's role.



Adif AV's **corporate purpose** is to help “**improve people's lives**” through good governance, transparency, equality and an approach that enhances people's well-being.



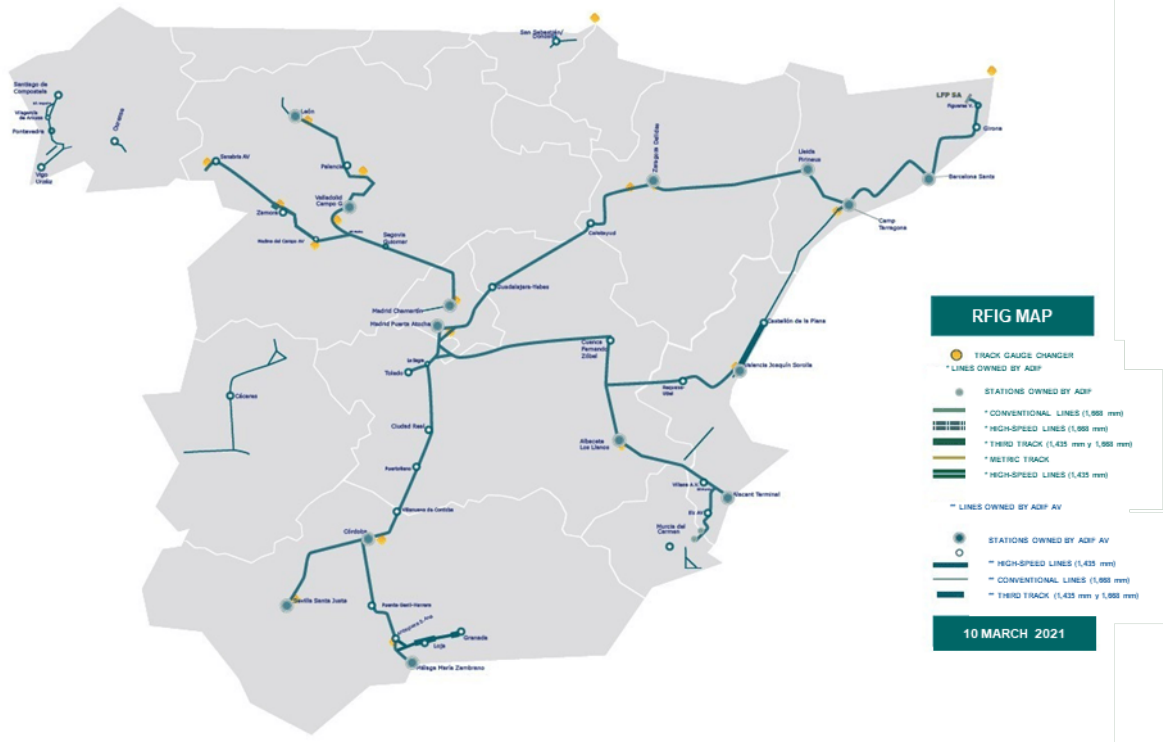
## 2.3. Business model

Adif AV's business model is designed to create and manage sustainable, high quality, resilient and safe infrastructure, while achieving innovation and modernising the transport system. In addition to building and managing high-speed railway lines, the Company:

- manages telecommunications infrastructure;
- manages the supply of electricity to railway operators;
- and advises on and oversees environmental and energy efficiency actions undertaken by Adif.



The network owned by Adif AV comprises **3,622.20 km of track (total managed network)**, of which **2,781.50 km are high-speed standard gauge (UIC)**.



## 2.3.1. Core activities of Adif AV

### CONSTRUCTION

Adif AV continues to make progress on the works and projects commissioned by the Spanish government, connecting the regions up via a high-performance network. It is developing the European Traffic Management System (ERTMS), the train control and command system designed to ensure Europe-wide compatibility of signalling and communication between track and train.

### OPERATION AND MAINTENANCE

The operation and maintenance of the infrastructure owned by Adif AV has been entrusted to Adif, via the corresponding addenda to the agreement entered into between the two entities to that end. Key activities commissioned by Adif AV:

- **Operation:** management of rail traffic; calculation of charges applicable for the use of rail infrastructure, stations and other rail facilities; and operation of the passenger stations.
- **Maintenance:** conservation, repair, replacement and upgrading of the various elements comprising the network.

The concept of **infrastructure as a n instrument for providing services** places society at the heart of our business. Society is both a present and potential user of our infrastructure and services; our goals are connectivity, mobility and social welfare.

Hence Adif AV is committed to providing safe services that ensure social cohesion while supporting reliable and high-quality connectivity and mobility and enhancing social welfare through inclusive and sustainable socio-economic development of the country.

End-to-end safety in the railways system

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We view safety as a cross-cutting concern that affects all facets of railway infrastructure and is crucially shaped by the implementation of the new safety and interoperability directives of the European Union Agency for Railways (ERA).

End-to-end safety involves an **awareness that every one of our activities** entails ongoing **improvement of safety procedures and the introduction of new methods and technologies**.

Adif AV's safety culture is underpinned by a risk assessment that leads to preventive, corrective and improvement measures towards risk mitigation.

We continue to roll out **end-to-end safety improvements** in the domains of operations, environment, rescue services, occupational health and safety and cybersecurity.



- **Rail traffic safety:** Control of risks inherent in rail traffic arising from the operations of Adif AV and other rail operators, thus fostering user trust in the network. Adif AV's rail traffic safety is handled by Adif.
- **Safety and self-protection:** We are improving the **safety and security of our facilities using new technologies**. The Company ensures safety and security at its facilities and infrastructure by implementing suitable incident and emergency systems and protocols in partnership with the relevant government authorities.
- **Workplace health and safety:** Our policy is to ensure the **utmost standards of safety and security for our users and employees** by operating suitable prevention policies. Our strong health and safety commitment covers our own employees and interactions with contractors and suppliers, with whom we cooperate to ascertain and control the related risks, and all others who work alongside Adif AV over the short or the long term.
- **Cybersecurity:** We constantly strengthen **systems protection and security with new cybersecurity mechanisms**. This ensures that Adif AV's management and operational information systems are protected against intrusion, attacks, unauthorised access and/or damage to the organisation's assets.
- **Environmental safety:** We enhance **environmental protection by augmenting and improving our preventive measures**.

### **2.3.2. Other areas of activity**

Adif AV also operates in other areas of business:

#### **TELECOMMUNICATIONS**

Adif AV manages telecommunications infrastructure in the form of a fibre-optic network that overlays the railway network. The system supports operation of the railways themselves; moreover, capacity is optimised by offering any excess to outside operators.

#### **ELECTRICITY**

The Company manages the supply of electricity to Adif and Adif AV itself, and, by means of an ancillary traction electricity supply service, of traction electricity to railway operators that use electric rolling stock.

#### **INTERNATIONAL CONSULTANCY ENGAGEMENTS AND PARTNERSHIPS**

Outside Spain, Adif AV seeks to generate a return on its wide-ranging expertise by attracting consultancy engagements and other contracts in foreign markets. The Company takes part in international projects and in the development and implementation of international safety and interoperability rules.

#### **PROPERTY MANAGEMENT AND URBAN INTEGRATION**

Adif AV manages the property under its ownership.

Following the policies put in place by the relevant government bodies, Adif AV supports the sustainable development of the railways system and its integration with urban planning, sometimes through railway "Integration JVs".

#### **INTEGRATION AND GROUP ENTITIES**

Adif AV oversees all investees and other entities within its Group (companies, foundations, groupings, associations, and so forth). This includes coordination and follow-up of railway integration efforts within cities, which are sometimes managed through Integration JVs.

### **2.3.3. International activities: Adif AV around the world**

The COVID-19 pandemic has hit international activity especially hard owing to internal and cross-border lockdown measures. Most of the scheduled events with institutions and multilateral organisations usually held face-to-face at international venues still went ahead this year because they were run online. However, Adif AV's sales and marketing activity was hit hard: we would normally welcome dozens of visits from international companies that seek out our expertise in building and developing railway networks.

Even so, we found the way to address the difficulties of 2020 by attending online events – even hosting the Rail Live! trade fair. This event is one of the largest in the industry, drawing leading

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railway companies and engineering and technology firms. It is therefore a major showcase for Adif companies seeking new business. Rail Live – which Adif and Adif AV are closely involved in hosting – was scheduled to take place in Madrid in March. However, travel restrictions required that it be postponed. It was later held online. The outcome was outstanding: more than 4,200 people attended the event, of whom over 2,300 watched Adif and Adif AV's presentations and more than 1,000 listened to the opening interview with the Company chair. Many of our departments took part successfully and actively. We were one of the companies with the most presence, with 6 speakers, 2 panels and an interview.

Adif AV continued to perform technical and operational consultancy engagements for other infrastructure managers. We advised on project implementation, hosted training and technical skills acquisition plans for foreign experts, and took part in international infrastructure and transport projects under interdepartmental agreements entered into by the Spanish Ministry of Transport, Mobility and the Urban Agenda (MITMA). As part of the Spain/Morocco Twinning Project "Hazardous goods transport management", funded by the European Union, we welcomed a Moroccan delegation to discuss emergency management and logistics terminals.

We provided technical support for the Texas high-speed rail project in the areas of safety and emergency rescue, rail traffic and railway station architecture. In February, we welcomed a delegation of Texas Central Railroad executives. We continued to identify new business opportunities in Korea, Israel, Poland, the Czech Republic, Bulgaria, India, Saudi Arabia and Afghanistan. Adif became more involved in international seminars and forums, where we showcased our expertise and strong results.

Moreover, representatives of Adif AV are present in the leading international bodies: EIM, UIC (where we are represented by leading experts), AEIEs, RailNetEurope (RNE), and the PRIME Platform of rail infrastructure managers promoted by the European Commission. We also take part in the interoperability initiatives of the ERA, the ERTMS Users Group and the joint European research initiative Shift2Rail, "S2R".

According to 2020 data, there are more than 70 Adif and Adif AV experts from all our departments participating in activities under the aegis of international bodies. Our employees are also involved in specific projects and partnerships at the headquarters of UIC, EIM, S2R and ERTMS UserGroup. In total, the two companies currently participate in 97 working groups within the four major European associations (55 in UIC, 20 in EIM, 15 in RNE and 7 in PRIME).

This involvement is part of Adif and Adif AV's international strategy of proactively filling an appropriate role within the international bodies and institutions that make the decisions that finally affect both our firms. The reality is that both companies, Adif and Adif AV, as European infrastructure managers, are increasingly influenced - sometimes even decisively shaped - by the international context and, more specifically, by the laws, regulations, technical standards and procedures originating with European institutions and organisations.

Description of indicators		Unit	2018	2019	2020
Disclosures on our performance within society and on product liability	Presence in international associations and organisations (number of meetings attended) (Adif + Adif AV)	No.	218	224	224
	Presence in international projects and activities (no. of activities carried out) (Adif + Adif AV)	No.	158	98	45





*Presence of Adif/Adif AV around the world*

### **MECCA-MEDINA HIGH-SPEED RAILWAY Haramain project**

Our main international highlight is the Mecca-Medina high-speed railway, known as the “Haramain Project”.

Saudi Arabia set in motion the government-funded construction of a 449 km high-speed railway between the cities of Mecca and Medina, the “Haramain High Speed Railway – HHR”, carrying passenger traffic exclusively and comprising five railway stations (Mecca, Jeddah, KAIA, KAEC and Medina). The engagement comprises the design, construction and commissioning of the infrastructure, systems and rolling stock, followed by railway operation and maintenance.

The contract for Phase II of the project was signed on 14 January 2012 between the client and the Al-Shoula Consortium, comprising 14 companies (2 Saudi firms and 12 Spanish firms). During the construction phase, Adif is in charge of coordinating railway construction, trials and commissioning. During the operation phase, within the scope of its engagement, Adif will be in charge of managing rail traffic, technical and commercial operation of the stations and, together with INECO, technical support for infrastructure maintenance. To fulfil its many roles, Adif formed a Saudi subsidiary (Adif-KSA) based in Jeddah, like the subsidiaries of the other Spanish members of the consortium.

In 2020, Adif continued to lead the railway construction works and draw up procedures, management systems and the rules of operation of the future railway (operations plan, traffic regulations, Adif AV employee training plan, and more). We also specified the processes for leasing out retail floor space at the stations. We continued to perform the engagements within the scope of the contract entered into with the client – “Settlement Agreement 2” – for commercial operation of passenger rail. That scope is confined to the available and commissioned equipment and systems.

Commercial operation started on 11 October 2018, but was suspended from 29 September to December 2019 after the roof of Jeddah station burned down. Station building work was then being completed by companies unrelated to the Spanish consortium of which Adif is a member. Having renegotiated with the client the terms of the agreement that was in effect before that incident, commercial service resumed on 11 December 2019. For this purpose, the Spanish

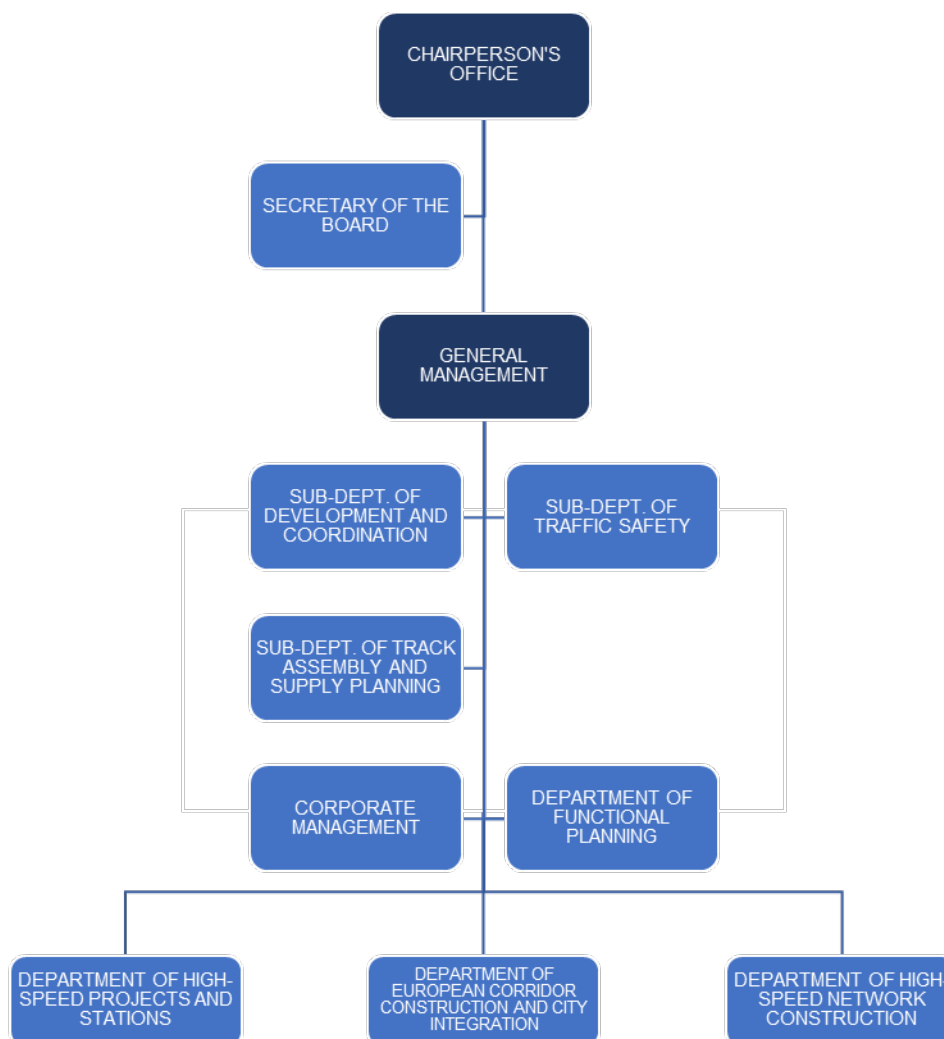
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consortium built a bypass around the station and other new assets, such as the line to the airport, that allow commercial service at maximum speeds of 3 km/h. The contract extension was put in place until April 2020 and involved payments to consortium members of SAR 83.3 million per month.

In response to the COVID-19 pandemic, the Saudi government decreed a lockdown that included suspension of commercial service on the Haramain railway as from 20 March 2020. Negotiations are now underway with the Saudi authorities to set a new start date for commercial service, which is expected to fall within the first quarter of 2021.

### 2.4. Organisational structure

The organisational chart below depicts the structure of Adif AV as it stood in December 2020:



### 2.5. 2020 materiality assessment

Adif is aware of the need to listen to its various stakeholders in order forge a management approach that is underpinned by its duty to society. The Company defines its stakeholders as any



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segment of society that could be affected by the organisation's activities and/or could influence its activities.

Adif AV's stakeholders accordingly include the rail operators, rail passengers, citizens, public authorities, employees, governments of other countries, suppliers, business partners and allies and the third sector (NGOs, charitable associations, etc.).

Towards the end of 2020, we updated the materiality assessment conducted in 2019. Owing to the special circumstances that arose over the year, we thought it was appropriate to make changes to the list of key concerns and to the way in which they are assessed internally and externally. We first identified a list of key topics based on in-depth analysis of a range of sources, some of which are specific to the public sector and the railway industry in Spain and internationally. In addition, we examined research and reports on the potential effects of the COVID-19 crisis on the economy and society, focusing especially on the potential effects on the public sector and service sector. Finally, we looked to recent trends and abided by the requirements of Law 11/2018 on disclosures of non-financial and diversity information.

Overall, we identified 5 management areas and 29 material topics – one fewer than in 2019, as we brought similar topics together so as to widen their scope. We also introduced new topics arising from new needs identified in the course of the healthcare crisis of 2020.

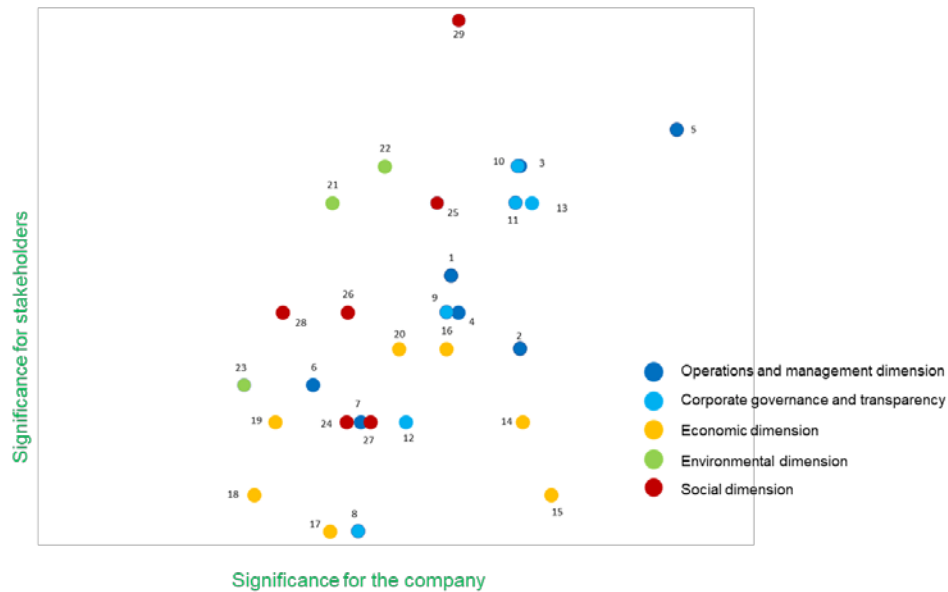
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		MATERIAL TOPICS IDENTIFIED IN 2020
Operations and management	1	Construction of new railway lines and stations
	2	Management of the process of passenger transport liberalisation**
	3	Service standards and customer satisfaction
	4	Innovation and digitalisation of the business*
	5	All-round safety (protection and safety; rail traffic safety and cybersecurity)
	6	Supplier relations and supply chain management
	7	Health and safety in the value chain**
Corporate governance and transparency	8	Public recognition and reputation**
	9	Company governance and strategy
	10	Compliance
	11	Risk management, response to the COVID-19 crisis and adaptability*
	12	Transparency
	13	Ethics and anti-corruption
Economic dimension	14	Economic sustainability and raising of capital*
	15	Suitable management of public assets
	16	Investment in infrastructure development*
	17	Investor relations
	18	Business development and internationalisation**
	19	Socio-economic impact on communities
Environmental dimension	20	Managing the impact of infrastructure on the environment and biodiversity**
	21	Fighting climate change and supporting the circular economy*
	22	Managing the environmental impact of operations (waste, noise, fire, discharge, etc.)*
Social dimension	23	Stakeholder engagement and dialogue
	24	Disabled access at stations and social inclusion of vulnerable groups*
	25	Employee commitment, training, career development and talent attraction**
	26	Work-life balance**
	27	Rules on remote work and the right to disconnect**
	28	Gender equality, diversity management and human rights *
	29	Workplace health and safety

(\*) Topic renamed or approached from a new angle with respect to 2019

(\*\*) New topic introduced after 2019

We then assessed these topics in the light of their materiality for the Company and its stakeholders, looking at their impact on strategy, business goals, brand reputation and image, and inherent capacity to create risks and opportunities. We conducted an internal survey involving 129 middle managers and department heads. We followed a range of reporting standards, analysed the sustainability and CSR reports of several foreign railway companies and reviewed topics that had attracted intense media coverage over the year. The outcome of placing internal materiality in relation to external materiality is depicted in the following figure:



As in previous years, key topics included the end-to-end safety of the railway network, service quality, and ethics and anti-corruption.

We did see a rise, however, in the materiality of topics surrounding occupational safety, risk management, adaptability, employee commitment and work-life balance. The materiality of environmental matters edged slightly downwards.

This trend is explained by the COVID-19 pandemic, which the Company and society as a whole were compelled to address. Since the general public is now chiefly concerned with health, companies' ability to deal with the healthcare crisis and work-life balance, environmental issues have somewhat receded into the background. Nevertheless, the United Nations 2030 Agenda, achievement of the Sustainable Development Goals, the increasing importance of environmental standards and investors' growing emphasis on companies' performing sustainably mean that environmental topics should be approached in all seriousness. If companies are to be successful in the short and medium term, all eyes will be on their ability to adapt to the environmental problems already in evidence, and to uphold climate resilience.

## 3. STRATEGIC APPROACH

***Adif AV sets its strategy in accordance with its responsibility to society as a state-owned enterprise. We have oriented our strategy to sustainable development in the belief that our role is to support prosperity, social cohesion and welfare, and respect for the environment.***

### 3.1. Business landscape: challenges and opportunities

In a complex, swiftly changing society, the future of Adif AV depends on how we deal with emerging challenges and opportunities.

The railways market moves fast. Now and in future, we shall see far-reaching changes that will bring new challenges and opportunities. The Company is getting ready. The business landscape

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is shifting: technological development, digitalisation, strong internal demand for increasingly safe and high-quality services, interoperability, liberalisation of the European rail passenger market, and wide-ranging global challenges all affect Adif AV's business. We can and must rise to the occasion.

Under the 2013 Strategic Plan, Adif AV specified key initiatives to address **4 critical challenges** that both we and the railway industry in general must face:

- **Safety culture**, a cross-cutting concern that affects all aspects of railway infrastructure. The implementation of the **new ERA safety and interoperability directives** have shifted the paradigm. Adif AV has reinforced all resources and assets allocated to this cornerstone, which underpins the reliability of the railways system as a whole.
- **Liberalisation of the rail industry** and full implementation of the **Fourth Railway Package** – all potential railway infrastructure operators must be addressed within the framework of the “network statement”. By widening the available range of transport options, making them more competitive and modernising the industry, rail liberalisation chiefly benefits users. Rail traffic is expected to rise by 30% to 50%. This is both a challenge and an opportunity for Adif AV – it will enable us to make better use of installed capacity and will drive up our royalties revenue.
- **Extension of the railway network**. In recent years, under-investment in infrastructure has shrunk the capital stock of the system by almost €25 billion. However, the recent upswing in investment in railway infrastructure will, over the next 5 years, lead to the commissioning of new track sections and thus enlarge the high-speed rail network by more than 30% (from today's 2,777 km to almost 3,700 km), and more will be spent to overhaul and improve the conventional and commuter railway networks.
- These three challenges converge on a fourth challenge, and a crucial one: **generational succession**. Adif – and, to a lesser extent, Adif AV – face a serious structural problem over the long term: an ageing staff. More than a third of our employees will retire within the next five years, and about 60% over the next decade. The issue is exacerbated by the fact that so many job positions require special training and qualifications. Adif must see to it that generational succession successfully assures the **reliability** and, above all, the **safety** of the railway system. Moreover, we need to modernise our career progression structure. This issue has been outstanding for more than a decade, and has detracted from the Company's operations in a swiftly changing landscape shaped by technological development and regulatory change. The necessary shift in the rules of career progression is addressed in the process of renewal of the Company's **collective bargaining agreement**. The aim is to build a modern organisation that effectively adapts its structure to the changes we shall see in future. If we fail, however, the current level of activity cannot be assured in future. Even now, the Company is at a disadvantage, with an ageing and short-handed staff. Going forward, we may be unable to rise to the challenges discussed earlier, and the viability of the system could be in question.

So Adif AV will face critical challenges in terms of organisational structure, creation of new procedures, and acquisition of the human resources required to manage them. The 2013 Strategic Plan sets out the **initiatives** needed to rise to these challenges over the **next 5 years**, with a focus on **critical actions** that go to the heart of the Company's business: in particular, the new **predictive maintenance system**, and **rail traffic management**, which is so closely tied to **safety**. We shall strengthen this pillar in all respects, while supporting Adif's **sustainability and environmental performance**.

### 3.1.1. Network maintenance, overhaul and upgrade

In 2021, Adif and Adif AV will invest €4,858 million in the railway network. €3,012 million will be allocated to new infrastructure, while €1,846 million will be allocated to overhaul and improvement of the existing network (conventional gauge and metric gauge). In addition, in 2021 we shall spend €930 million on maintenance.

The planned actions are aimed at improving the efficiency and reliability of the existing network and promoting intermodality, while moving forward with the creation of an interoperable Single European Railway Area. This will achieve a meshed railway system that fosters territorial cohesion through intermodal connections, competitive travel times and highly available frequency and service.

The ultimate goal is to achieve the utmost efficiency in railway infrastructure management by maximising utilisation and optimising coordinated use of standard, Iberian and metric gauge track, while enhancing maintenance and operation and upholding safety as the core concern.

The ongoing improvement of the reliability and safety of railway infrastructure is a societal demand that Adif AV is entrusted to meet. Therefore, we engage in a sustained effort to fund maintenance of our infrastructure and facilities. Alongside this, we push forward with specific projects, such as track overhaul, safety and security system automation, replacement of level crossings with other solutions, improved connections between platforms, and more.

Overhaul and upgrade of the high-speed rail network				
High-speed rail network (overhaul and upgrade)	Investment	Existing network length in km	Overhauled/upgraded track in km	% overhauled
	€1,062.54 M	3,622	166	4.8

The network under Adif AV's management is 3,622 km\* in total length, as follows:

Description of indicators		Unit	2018	2019	2020
Disclosures on our performance within society and on product liability	Total network under management*	km	3,300	3,456	3,622
	Network development over the year	km	148	156	166
	Network development over the year	%	4.5%	4.7%	4.8%
	Standard-gauge (UIC) high-speed track	km	2,514	2,619	2,782

\* The network grew with respect to the previous year due to the recent entry into service of the Zamora - Pedralba de la Pradería section of the Galicia high-speed railway, and the Murcia - Beniel fork, which brings high-speed rail to the Region of Murcia: it is included in this report because it is expected to enter service by the beginning of 2021.

### **3.1.2. Entry into force of passenger transport liberalisation**

Based on the principles of the Fourth Railway Package and their implementing legislation in Spain, in 2020 any passenger rail company could apply for use of the networks managed by Adif and Adif AV for commercial operation.

Viewed overall, our infrastructure is underutilised. However, some nodes – the Madrid and Barcelona hubs especially – are saturated, and have therefore been declared “congested”. This state of affairs, coupled with the high expectations surrounding the arrival of new operators to the network, prompted us to put in place framework agreements granting capacity to at least three new entrants. We set the terms for infrastructure reservation and operation so that those railway firms could acquire rolling stock and undertake expenditure as needed to start operations, while Adif would ensure maximum utilisation of its network. The goal of this approach is to enhance mobility for members of the public by widening the options on offer and improving the competitiveness of one of the most sustainable means of transport

The liberalisation of passenger transport from December 2020 onwards could increase traffic on the general interest rail network in the coming years – on high-speed railway lines, by as much as 30% to 50%. Adif AV must ensure that service quality and punctuality are not impaired by the increased traffic, but there is a risk that those indicators will be affected.

Spain would thus move towards increased use of the high-speed rail network, which is the most commercially attractive aspect of the industry and where rail is more competitive than other means of transport. At present, the Spanish high-speed rail network is used only one fifth as much as the French network and about one third as much as the German and Italian networks.

In 2012, passenger rail transport was liberalised in Italy: this provides a benchmark for Adif AV. Liberalisation was a boost to the industry as a whole. The Italian high-speed market grew by 80%, from 38 million passengers in 2012 to 68 million in 2016.



In 2020, **15 companies** used Adif AV infrastructure. The traffic volume was **36.67 million train km**, down 39% compared to the previous year due to lockdown restrictions in response to the COVID-19 pandemic. Three of these companies focus on passenger services: Renfe Viajeros, Alsa Rail (tourist trains) and Ouigo (trial runs ahead of commercial high-speed passenger operations).

Passenger transport liberalisation is expected to lead to increased traffic on the general interest railway network (RFIG), with growth of 30% to 50% on high-speed rail railways. Hence, we must ensure that service on all railway infrastructure retains quality and punctuality. To achieve this, we must adapt to the new trends that will arise from liberalisation. The process provides an opportunity to promote rail as a more sustainable mode of travel and extract value from our investments of the past few years and our technological developments and expertise. We need to be ready to meet the needs of the actors and stakeholders involved and fulfil their goals for network capacity, energy efficiency, sustainability, innovation and service excellence.

However, a long-term programme should be designed for investment in infrastructure and sufficient funds should be allocated to research, development and innovation (R&D): transport must be adaptable and rise to the new challenges of mobility.

#### **New entrants to the railway market**

In May 2020, as a result of negotiations started in 2019, ten-year capacity framework agreements were entered into with three railway companies for new commercial passenger services on the Madrid-Barcelona, Madrid-Valencia/Alicante and Madrid-Seville/Málaga routes. The three new entrants are Renfe Viajeros, Intermodal de Levante, S.A. and Rielsfera S.A.U.

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Besides the operators already benefiting from Capacity Framework Agreements (Renfe, ILSA and RIELSFERA), other companies have expressed interest in entering the passenger market. However, the situation is not a straightforward one, as there is not much more capacity available along the routes they are interested in. Nevertheless, the parties are considering services and lines that could offer potential and looking at ways to put in place long-term commitments – which all potential new operators hope to rely on – in a transparent, non-discriminatory way.

All plans to start operations or give the green light to new entrants were delayed by the COVID-19 pandemic. This significantly dampened expectations for increased mobility in the short term, and continues to create uncertainty about developments in the medium term. So far, however, all commitments made by Adif AV and the new railway operators remain effective and in place.

In 2020, passenger services were operated only by Renfe Viajeros, as the new entrants plan to start running trains in 2021. The freight market, on the other hand, has been open to competition for several years, and the Adif AV network has been used by a large number of rail freight operators.

In 2020, we implemented a range of processes to encourage entry to the market by further operators. Adif and Adif AV alike have considered ways of reorganising current traffic to allow for introducing new entrants in the passenger rail market. The entry of new rail operators who would compete with Renfe, the State-controlled operator, would widen the range of options available and thus enhance quality, lower prices and improve infrastructure utilisation.

The Network Statement lends visibility to available capacity, and provides potential new entrants with legal certainty with a view to entering into framework agreements that guarantee capacity allocation over a term of five years.

Description of indicators		Unit	2018	2019	2020
<b>Disclosures on our performance within society and on product liability</b>	<i>Passenger transport liberalisation</i>	No. of companies operating on the Adif AV network*	13	14	15

*\*No. of companies operating on the Adif AV network\*: Acciona; ALSA; Captrain; Continental; Ferrovial; Go Transport; Low Cost; Logitren; Medway; Renfe Viajeros; Renfe Mercancías; Tracción Rail; Transita; Transfesa, Ouigo España (trial runs ahead of commercial operations).*

### Plan for alignment with the Fourth Railway Package

Adif and Adif AV have worked intensively and systematically to become aligned with the rules underpinning the process of liberalisation: the EU Fourth Railway Package.

Adif AV's systems and processes are now ready to handle capacity requests and awards in accordance with the applicable regulations and under the oversight of the CNMC, Spain's competition watchdog. Our process was approved by the European Commission's Directorate-General for Mobility and Transport – also known as “DG-Move” – and rated as one of the most active mechanisms within the European Union in introducing competition and creating a single railway market. Competition among at least three operators on a single network is a unique situation that is likely to be followed with great interest.

After adapting rail traffic and the process of awarding capacity to the new liberalised scenario, both entities – Adif and Adif AV – aligned their stations to the needs of new entrants, following four management vectors: non-discriminatory treatment, transparency, flexibility and sustainability.



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The new stations plan makes available to potential new entrants information on offered services, application and award procedures, and prices, which will be made public in the Network Statement. In addition, Adif has set in motion a proactive search for land under its ownership that could be made available to new operators to build their facilities.

Finally, we are creating procedures to link energy usage to each train more accurately, so that we can bill each operator for what their services really consume. Following a trend already in place in other European countries, we are moving towards a billing method based on meters installed on board trains themselves.

Plans are underway to adapt to the new scenario, which is of strategic importance for Adif AV and the industry as a whole. Those plans will require ongoing monitoring in line with new circumstances as they emerge at all levels – legal, technical and business-related. We shall build on the success of the adaptations already achieved, and cooperate with all industry players: railway companies, the Ministry of Transport, CNMC (competition watchdog) and AESF (the Spanish railway safety agency).

### **3.1.3. Global challenges and the 2030 Agenda**

Since the launch in late 2015 of the 2030 Agenda and its related Sustainable Development Goals (SDGs), governments, public service corporations and private companies and society as a whole have made significant efforts to rise to the challenge of achieving those goals by 2030. Spain's Action Plan to implement the 2030 Agenda comprises public policies, key measures towards far-reaching change, monitoring mechanisms, accountability and assessment.

The latest available data suggest that most public service companies believe a lack of internal awareness of the 17 SDGs and their significance stands in the way of their becoming a part of corporate strategy. Key tools will be training and identifying cross-cutting skills and competencies.

Working towards the achievement of the SDGs will provide an opportunity to improve businesses' performance and impact on society, thus enhancing their reputation and social legitimacy. In addition, we can improve the way we handle our own processes internally, and new business opportunities will be forthcoming.

According to the latest research, as a general rule Spain is keeping abreast of the forward steps of the European Union to achieve the 2030 Agenda. According to the 2020 edition of the SDG Index and Dashboard Report, worldwide Spain is in the top quartile of countries closest to achieving the goals, in 22nd place out of 166.





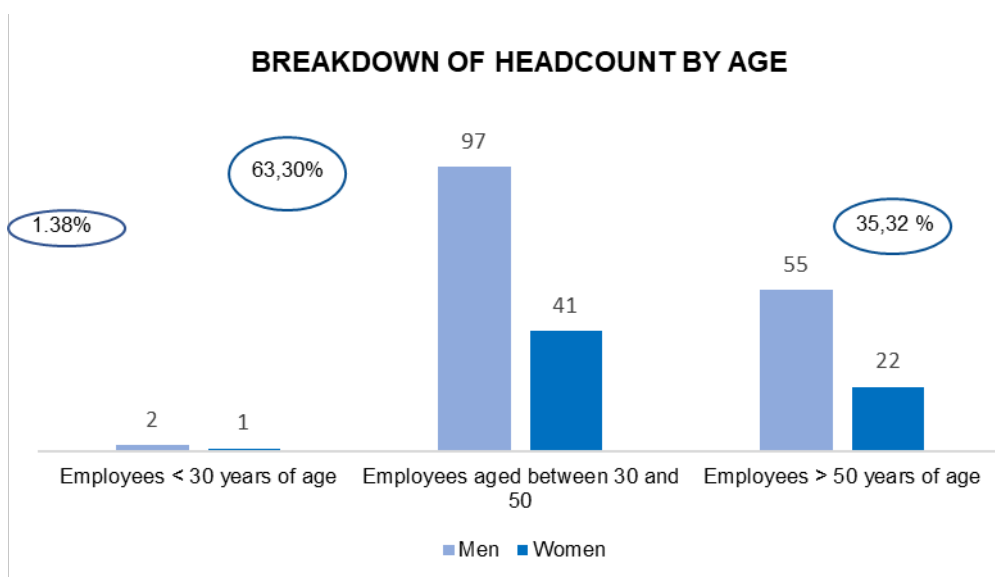
COVID-19 will have a severely adverse impact on many countries' SDG Index performance. The effects have not yet shown through in the data available so far. The world faces the worst economic and health crisis of the last hundred years. The pandemic is a body-blow to the world's ambition to achieve the SDGs, especially for less developed countries. The long-term consequences of the pandemic remain highly uncertain.

Website: <https://www.sdgindex.org/>.

### 3.1.4. Workforce transformation

The greatest challenge we face internally is the age pyramid of our workforce. At Adif AV, most employees are 41 to 50 years old (50% of the total, up 2% compared to 2019). The average age of employees is 48.85 years old<sup>1</sup>. So Adif AV has a major challenge to face, now and in the coming years: rejuvenation of its workforce and assured transfer of knowledge in key positions. We have accordingly set in motion a range of initiatives: partial retirement; a voluntary departures scheme; and public employment recruitment processes. Our goal is to speed up generational replacement without losing the benefit of knowledge and experience, which crucially underpin the effectiveness of our business.

<sup>1</sup> For further information about the distribution of the workforce by age and length of service, see section 5.5. Employees



		2018	2019	2020
Breakdown of headcount by gender	Men	146	156	154
	Women	60	62	64
	<b>Total</b>	<b>206</b>	<b>218</b>	<b>218</b>

## 3.2. Business strategy: 2030 Strategic Plan

### 3.2.1. Strategic pillars and initiatives

In 2020, we updated our Strategic Plan to deliver an effective response to the wide ranging strategic, operational and business challenges that the Company will face over the coming decade. The Strategic Plan, in alignment with the Sustainable Development Goals (SDGs), is designed to encourage travel by individuals, improve existing networks and build more resilient, inclusive and sustainable infrastructure that helps mitigate the effects of climate change. It also supports sustainable innovation, the introduction of new technologies and intrapreneurship.

The new 2030 Strategic Plan is aligned with the United Nations Sustainable Development Goals (SDGs) and the Spanish Government's Agenda for Change, as further specified by the Ministry of Transport, Mobility and the Urban Agenda for a Safe, Sustainable and Connected Mobility Strategy.

The 2030 Strategic Plan is designed to **place Adif AV in a competitive and sustainable position in railway infrastructure management and operation**, within the framework of the **infrastructure policy of the Ministry of Transport, Mobility and the Urban Agenda**. There are **four key goals**:

1. Safety
2. Sustainable, competitive and intermodal mobility
3. Stable government investment

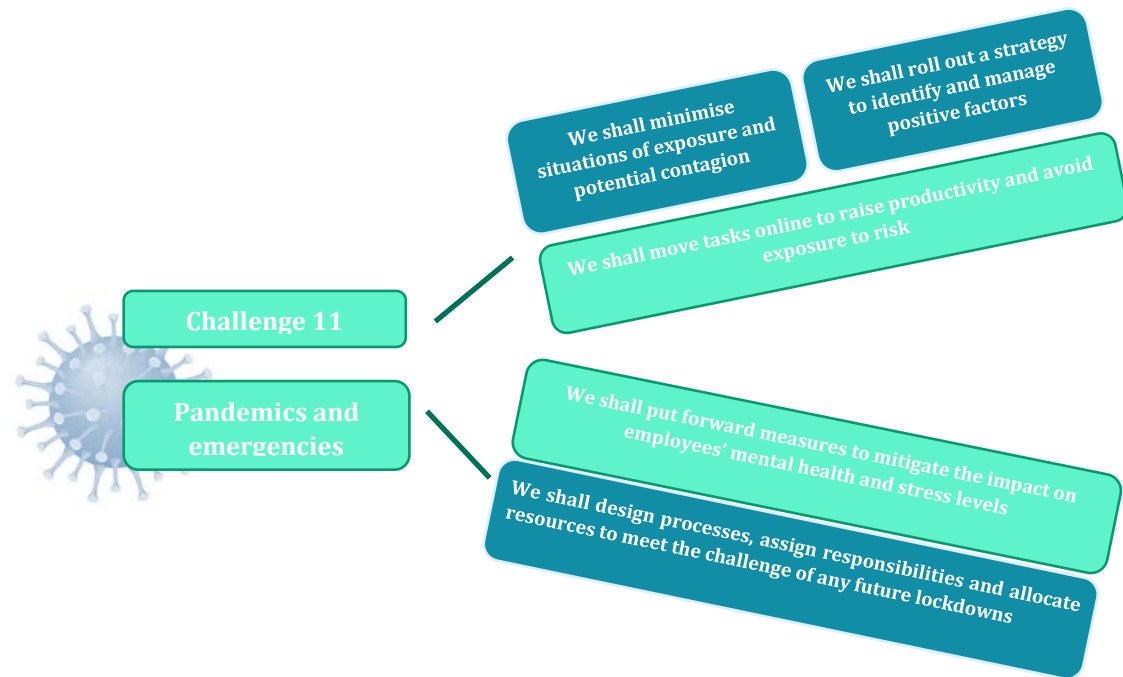
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

4. Optimal impact of infrastructure on economic growth over the medium term, improving quality of life among the general public and reinforcing social and territorial cohesion

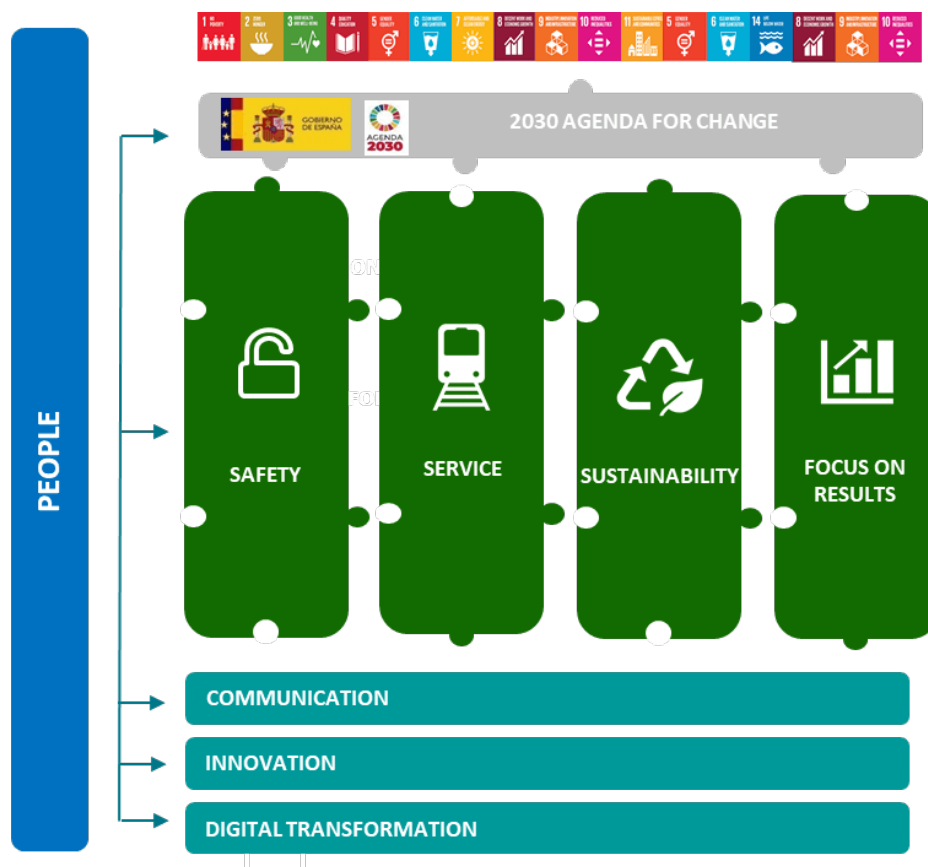


Moreover, the **Plan makes provision** for facing potential future challenges, such as pandemics and emergencies brought about by climate change.

## Antibodies



The 2030 Strategic Plan rests on **four pillars**: safety, service, sustainability and focus on results. These four pillars are fully aligned with our Mission, Vision and Values. The pillars are supported by **three levers** towards achievement: digital transformation, strategic innovation and communication. The whole is driven by a single **engine**: our people.



The 2030 Strategic Plan will focus on a range of strategic initiatives that are inherent in the Company's business. Those projects will be implemented and rolled out in the new settings that society now demands. We shall accordingly monitor implementation of these initiatives using

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technological tools. We shall take a highly practical approach, seeking involvement and buy-in across the organisation and following a data-driven vision, which will embrace good governance of the internal and external data sources available to Adif.

At present, **21 strategic initiatives are in play**:

Safety pillar	Service pillar	Sustainability pillar
Rail safety update and improvement plan	Gauges plan	Plan to combat climate change
Initiatives to improve safety at rail intersections	End-to-end plan for passenger stations	Management system review and updating project
Project for a new maintenance system	4th Railway Package adaptation plan	Transparency and good governance improvement plan
New commercial rail traffic system	Internationalisation plan	Implementation plan for a new asset management model
Integrated risk management development and deployment plan	Plan for Adif's positioning within the company group	

Digital Transformation Lever	Innovation Lever
Workstation transformation plan	Strategic innovation plan
BIM methodology implementation plan	
Electronic administration plan	
Project for a new traffic regulation platform, SITRA+	
Project for a single telecommunications operator	

People Driver
Integrated people management plan

### 3.2.2. Strategic indicators

The table below shows the annual trend in the strategic key performance indicators analysed by Adif to track delivery of its objectives for 2018-2020 (2020 data, updated to latest available figures):

#### OPERATIONAL DIMENSION

PILLAR/ LEVER	Title	Unit	2018	2019	2020
SAFETY	Significant accidents caused by the infrastructure manager	No. per million train-km	0	0	0.052
	Rail accidents for which infrastructure manager is liable	No. per million train-km	0	0	0.078
	Crimes with an impact on activities	No.	252	101	42
	Accident precursors for which infrastructure manager is liable	No. per million train-km	0.321	0.356	0.680
	Malicious attacks on critical infrastructure	No.	22	9	17
	Incident rate	Lost-time injuries/1,000 employees	0	0	0

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	Severity index	Lost workdays/1,000 h worked	0	0	0
SERVICE	Passenger transport liberalisation **	Train-km share of LD/HS services of the new rail companies with respect to the single operator	N/A	N/A	0
	Reliability of facilities	No.	2,508	2,909	2,703
	Availability of facilities	Minutes	71.21	65.97	73.77
	Track quality	Ratio	99.10	99.16	99.10
	High-speed network development	%	71.80	75.00	66.00
	HS expenditure executed in construction work	Ratio of executed expenditure to internal budget	1.10	1.02	1.10 <sup>(1)</sup>
	Station modernisation	Million passengers benefiting	147.6	139.89	25.09
	Urban integration**	€m cumulative investment	3,877.03	4,067.16	4,194.16 <sup>(1)</sup>
	Business activity at stations**	€m business revenue	12.85	15.47	19.38 <sup>(2)</sup>
PEOPLE DRIVER	Transfer level**	%	86.7	86.3	87.0
TRANSFORMATION DRIVERS	Closed-out procedures**	Settlements through Contracts SAP	N/A	N/A	0.201 <sup>(2)</sup>
	Collaboration and open innovation**	% implemented ideas and projects*	23	37	48
	Digital strategy**	% adaptation to Office 365 of corporate mailboxes and videoconferencing rooms	N/A	N/A	100

(\*) Requested and received (intrapreneurship, engagements in operational areas, collaboration and open innovation)

(\*\*) Integrated indicator for Adif and Adif AV

(1) Provisional value at year-end 2020 provided by the relevant area.

Last available value: September 2020

### ECONOMIC DIMENSION

PILLAR/ LEVER	Title	Unit	2018	2019	2020
FOCUS ON RESULTS	Resultado bruto de explotación (EBITDA)	€ million	297.9	282.6	-8.5
	Profit/(loss) for the year	€ million	-223.4	-179.2	-460.9
	Use of Community funds	%	0.73	1.11	1.12

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### ENVIRONMENTAL DIMENSION

PILLAR/ LEVER	Title	Unit	2018	2019	2020
SUSTAINABILITY	GHG emission reduction	Tn of CO <sub>2eq</sub>	17,874	22,712	13,028 <sup>(4)</sup>
	Improvement in energy efficiency	GWh equivalent	86.91	103.56	104,18 <sup>(4)</sup>

(2) Provisional value at year-end 2020 provided by the relevant area.

### SOCIAL DIMENSION

PILAR/ PALANCA	Title	Unit	2018	2019	2020
SUSTAINABILITY	Passengers boarding / alighting at accessible stations**	% of passengers	83.19	85.07	84.76

(\*\*) Adif + Adif AV

### CORPORATION GOVERNANCE DIMENSION

PILLAR/ LEVER	Title	Unit	2018	2019	2020
SUSTAINABILITY	Code of Ethics**	No. of notices*	12	16	2
	Transparency	% complaints upheld	7.56	4.88	1.28

(\*) Received and resolved through the Whistleblower Channel or any other means that could expose a breach of the commitments under the Code of Ethics

## 3.3. Adif AV's contribution to the Sustainable Development Goals

### 3.3.1. Strategic approach

Adif AV is aware of its responsibility as a public service company and of its major on society and the environment, Therefore, our strategy is oriented towards sustainable development. This goal implies a commitment to global and local challenges in inclusive economic development, health, social cohesion, respect for the environment and good governance. The Company is working towards delivering on its commitment to sustainable development by aligning its strategy with the United Nations Sustainment Development Agenda. We believe that one of the cornerstones of

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Adif's responsibility is to help achieve the SDGs. Therefore, we have created and implemented a model called GoSDG, which integrates the 2030 Agenda with the Company's own Strategic Plan.

The **GoSDG Project** aims to rigorously embed the Sustainable Development Goals and the related targets into Adif AV's business strategy. Through GoSDG, we seek to reinforce and widen the principle of responsibility and accountability that underpins the Company's Strategic Plan. The venture encompasses operational and management responsibility and our response to the broad challenges faced by society, and involves the entire organisation so as to boost Adif AV's contribution to the SDGs where we can have the most impact: i.e., material SDGs and targets.

The project comprises three phases:

- **Phase 1 (2017-2018): defining and modelling GoSDG.** Adif conducted an in-depth analysis of the SDGs and the related targets and mapped them onto all areas of the Company in order to identify our current or potential impacts on the 17 SDGs and their 169 targets. This enabled us to make a first selection of SDGs and material targets relevant to Adif AV.
- **Phase 2 (2019-2020): integration with strategy.** During this phase – which started in 2018 – we sought effective integration by aligning our strategic goals, KPIs and Strategic Plan initiatives with material SDGs and their related targets.
- **Phase 3 (2020-2030): monitoring and improving the model.** In this final phase, we seek to track and report on our results and adapt the model to any strategic changes, while enhancing the scheme of indicators and targets so that we always have the right level of ambition and implementation throughout the organisation.

In 2020, for the first time we reported to the Board on Adif AV's contribution to the SDGs. We also provided information on this topic to our stakeholders in the 2019 Management Report.

Creating a new strategy (our 2030 Strategic Plan) requires a realignment of goals, indicators, targets and initiatives under the new Plan with material SDGs and their related targets. We intend to address this issue in 2021. We hope to move forward with the highest possible ambition towards "impact on SDG targets" in line with the Company's firm commitment to sustainable development in answer to the call of the United Nations. We are aware that, unless we and all other actors bolster their contribution, there is a risk that the SDGs will not be fulfilled by 2030 – especially in the light of the delays caused across the board by the 2020 pandemic.

European and Spanish institutions alike are already mobilising in order to contribute to delivery of the SDGs by championing a range of initiatives. During 2020, Adif AV took part in SDG Rail Index, a Working Group promoted by the International Union of Railways, UIC, headquartered in Paris. SDG Rail Index is a platform whose members include railway infrastructure managers, holdings, operators and related firms. One of the aims of the platform is to encourage a consensus across the industry to harmonise ESG standards and identify non-financial key performance indicators (24 KPIs) in terms of their contribution to the main SDGs for the railway industry (SDGs 5, 7, 8, 9, 11, 12 and 13).

The outcome of this work will be one of the elements that Adif AV will use in its GoSDG Adif AV process to review and identify indicators and targets for the Company's 2030 Strategic Plan with a view to making a significant forward stride towards achieving the SDGs.

### Material SDGs

Our 2018 assessment identified 10 material SDGs, and classified them into 3 core goals (SDGs 9, 11 and 13) and 7 additional goals (SDGs 3, 7, 8, 10, 12, 15 and 17).

We conducted a review in 2020 and, as a result, added a further 4 material SDGs (SDGs 4, 5, 6, 16).



## CORE SDGs IDENTIFIED BY ADIF AV

Within the GoSDG framework, Adif AV identified **three high-priority core SDGs** for the Company:



Adif AV's business as a whole is oriented towards creating and managing sustainable, high quality, resilient and safe infrastructure. Moreover, Adif is committed to innovation and the modernisation of its infrastructure, with a focus on efficiency.



The strategic commitment to reducing accident rates and incidents helps provide safe transport systems and improve road safety. Elsewhere, the elimination of physical and communication barriers in terms of railway access will help achieve an inclusive transport system. All of that is key in terms of creating a backbone capable of connecting urban, peri-urban and rural areas.



Adif AV helps combat climate change through its very business activity, encouraging the use of a clean mode of transport.



*SDGs 9, 13 and 11 are crucial as they relate directly to Adif's business.*

*SDGs 13 and 9 (innovation) have plenty of room for improvement in Spain.*

## Alignment of Adif AV's 2030 strategy with SDGs and material targets

Over the course of 2021 we shall update the GoSDG model, aligning Adif's strategic goals, KPIs and strategic initiatives as set out in the SP 2030 with material SDGs and related targets.

This year we shall, taking a realistic view, look to raise the bar of our ambition facing our sustainability targets, with a focus on the highest-impact areas.

## 3.3.2. Outcome of the impact of SDGs on Adif AV's strategy



## Key

- Key performance indicators - Related SDG
- ✓ Outperformance in 2020 vs. 2019
- ✓ Underperformance in 2020 vs. 2019
- ✓ Unchanged or indicators that are not comparable
- Key initiatives, plans or programmes

## Priority SDGs



- ✓ **9,984 km of electrified track** in service (64.3% of total track in service) (Adif + Adif AV) (+1.70% vs. 2019) - Target 9.4
- ✓ **€1.062,54 M invested in developing high speed network** (-4.29% vs. 2019) - Target 9.1
- ✓ **166 km of lines renovated or upgraded** (4.8% of the total network under management) (+6.41% vs. 2019) - Target 9.4
- ✓ **39% of output of innovation transferred** (efficiency in innovation) (Adif + Adif AV) - Target 9.5

- Strategic innovation plan
- New maintenance model project
- BIM methodology implementation plan
- Gauge plan
- Adif talent contest



- ✓ **25.09 million passengers benefitting station modernisation** - Target 11.2
- ✓ **€126.51 M invested in urban integration** (Adif + Adif AV) - Target 11.3
- ✓ **56 partnerships, agreements, protocols, addenda** for integration of Adif AV investees since its creation (+3.70% vs. 2019) - Target 11.3

- Ecomilla project
- End-to-end plan for passenger stations



- ✓ **€600 M issue of green bonds in 2020. 54.67% green bonds** of total bonds issued over the past five years - Target 13.2
- ✓ **13,028 TmCO<sub>2</sub> equivalent reduction in GHG emissions** (cumulative since 2009) - Target 13.2
- ✓ **28.4% reduction in carbon footprint** vs. 2019 - Target 13.2

- 2018-2030 Plan to Combat Climate Change
- Freight plan
- Target to achieve **carbon neutrality in 2050**



- ✓ **0.052 significant accidents** caused the infrastructure manager per million train-km - Target 3.6
- ✓ **No deaths or serious injuries** in train accidents - Target 3.6

- Crossings safety improvements
- Traffic safety actions and upgrades
- Zero accident plan
- SIGMA project



- ✓ **87.0% transfer** (satisfaction with training received and use on the job) (Adif + Adif AV) (+0.81% vs. 2019) - Target 4.4
- ✓ **92.3 hours of training per employee/year** - Target 4.3
- ✓ **€3.082 M invested in training in 2020 (€264.32 invested in training/employee)** (Adif + Adif AV) - Target 4.3
- ✓ **23 internship agreements** with universities in three years to 10/2020 (Adif + Adif AV) - Target 4.3

- Annual training plan



- ✓ **29.36% women employees** (+3.23% vs. 2019) - Target 5.1
- ✓ **27.18% women managers** (+4.98% vs. 2019) - Target 5.5
- ✓ **27.27% women board members** - Target 5.5

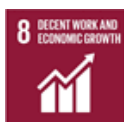
- II Adif Equality Plan and I Adif AV Equality Plan
- LIDERA programme "Mentoring Mujeres Tituladas" (mentoring women graduates) (RAI)



- ✓ **83.59% green energy (GoO)** of total energy consumed (-3.12% vs. 2019) - Target 7.2
- ✓ **104.18 GWh equivalent/year saved** due to energy efficiency (cumulative since 2009) - Target 7.3
- ✓ **15.99 MJ/train-km final energy intensity** - Target 7.3

- 100% of energy consumed by Adif AV certified with guarantees of origin (GoO).

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- ✓ **€1,272.57 M of investments executed** (+6.09% vs. 2019) - Target 8.1
- ✓ **No. lost working days per 1,000h worked** - Target 8.8
- ✓ **95.87% of employees with permanent contracts** (-1.74% vs. 2019) - Target 8.5
- ✓ **7.81% pay gap in executive level jobs in favour of men** - Target 8.5
- ✓ **48% intrapreneurship ideas and projects developed** by the business areas or through collaboration and open innovation (Adif + Adif AV) - Target 8.3

- Plan for transition to the 4th Railway Package (liberalisation)



- ✓ **84.76% of passengers on and off at accessible stations** (Adif + Adif AV) (-0.36% vs. 2019) - Target 10.2
- ✓ **€7.92 M invested in accessibility improvement projects** (Adif + Adif AV) - Target 10.2

- Support service for people with reduced mobility
- DIALOG service



- ✓ **44.57% reduction in water consumption** vs. 2019 - Target 12.2
- ✓ **0.018 Tm/million train-km of hazardous waste generation intensity** - Target 12.4
- ✓ **100% of contracts include social and environmental clauses** (Adif + Adif AV) - Target 12.7

- Hazardous waste management system
- Responsible public purchasing project



- ✓ **No serious or very serious environmental administrative penalties** - Target 15.1
- ✓ **€59.854 M of resources earmarked for environmental protection** (investment + operation) (latest available data)- Target 15.1
- ✓ **€2.898 M earmarked for fire prevention** - Target 15.5

- Environmental policy
- Environmental management systems
- Environmental monitoring of works
- Fire prevention plan



- ✓ **42 crimes committed by third parties with an impact on activities** (criminal complaint filed) - Target 16.1
- ✓ **17 deliberate attacks on critical infrastructure** - Target 16.1
- ✓ **2 reports of breaches of the Code of Ethics** - Target 16.5
- ✓ **1.28% claims upheld by the Transparency and Good Governance Board** out of total responses (Adif + Adif AV) - Target 16.6

- Integrated risk management development and deployment plan
- Transparency and good governance improvement plan
- Corporate anti-fraud policy



- ✓ **33 (Adif AV+other) and 42 (Adif + AdifAV + other) agreements with industry and business associations in force** - Target 17.16
- ✓ **17 industry association or organisation memberships** (Adif + Adif AV) - Target 17.16

- *Estación Abierta* (Open Station) programme
- Partner/member of: AEC, REPM, Forética, Asociación Española de Centros y Parques Comerciales (AECC), Consejo Nacional de Transporte Terrestre (sección Viajeros), UIC, EIM, RNE, PRIME, ERTMS User's Group, ERTMS Stakeholders Platform, ALAF, Corredor Atlántico, Corredor Mediterráneo, SEA Vitoria-Dax, Travesía de Gran Capacidad de los Pirineos (TGC Pirineos) and Alta Velocidad España-Portugal (AVEP).



### 3.4. Innovation and digital transformation

Since it was created, Adif AV has been strongly committed to research, development and innovation (R&D) work as the means to boosting technology development in the infrastructure arena, an area considered vital to achieving operational excellence. Outside of the firm, the Company sponsors R&D projects carried out by third parties, stimulating new developments with the scope to add value in rail infrastructure management.

#### 3.4.1 R&D management

In innovation, Adif AV aims to respond to the demands for service and network improvements presented by its stakeholders, which include its owners, such as the Ministry of Transport, Mobility and the Urban Agenda, and customers, including rail service providers and end users. Adif AV's innovation effort is tangible in the number of projects it is working on, the volume of investments channelled into them and the effort made to share technological know-how.

At present the corporate R&D strategy and policy are focused on moving away from traditional in-house innovation models towards the open innovation regime in which Adif AV participates activity in a multisector and multidisciplinary innovation ecosystem, with the ultimate aim of taking a forward-looking approach to meeting stakeholder demands. By asking the market to respond to technological challenges, external innovation is better aligned with the needs of the rail infrastructure we manage, thus generating value.

#### **LINES OF INITIATIVE PURSUED UNDER THE UMBRELLA OF THE ADIF AND ADIF AV R&D STRATEGY**

The main lines of initiative pursued under the umbrella of the entities' R&D strategy:

- Identifying innovation challenges for Adif and Adif AV that will meet needs in operational areas.
- Introducing and developing rail technology innovations of interest to Adif and Adif AV via project execution, mainly in collaboration with other companies, research centres and universities.
- Transferring the results to both entities.
- Protecting the results.
- Managing Adif and Adif AV intellectual property.
- Reinforcing international business expansion via participation in taskforces and associations, such as the Rail System Forum and the UIC's Research and Innovation Coordination Group.
- Bidding in response to calls for tender under the umbrella of the Horizon 2020 programme.
- Boosting technological intelligence, by constantly monitoring the environment and through specific on-demand innovation initiatives.
- Supporting internal entrepreneurialism, tapping the creativity and talent of Adif and Adif AV professionals.
- Taking part in R&D ecosystem forums such as Transfiere, S-Moving, South Summit and Startup Ole.
- And launching innovation challenges in response to identified needs based on prior market surveys and research.

The goals pursued by Adif and Adif AV for innovation are articulated around the four pillars of this strategy, embracing a broad spectrum of technology:



**Safety:** predict and detect external factors to boost infrastructure resilience; mitigate operational risk by reinforcing safety at rail intersections and implementing early detection of rail fractures.



**Service:** digitalise infrastructure management through automated inspection and predictive maintenance; boost goods transport by developing variable gauge wheelsets and introducing operational improvements; enhance the efficiency of the track/electrification ratio to raise infrastructure capacity; and develop the stations of the future to enhance passenger experience.



**Sustainability:** fight against climate change with our own proprietary developments in user electromobility, alternative energies for traction, and smart rail electric grid; reduce operating costs arising from the infrastructure life cycle.



**Focus on results:** maintaining and improving the open innovation model within Adif by addressing challenges through preliminary market surveys and research, reinforcing technology monitoring and competitive intelligence, promoting internal entrepreneurship, protecting and disseminating results, and strengthening technology transfer. This pillar also includes analysis of aid programmes as co-financing instruments and development of the plan for the successor to Shift2Rail.

During 2020, Adif and Adif AV moved forward on 41 R&D projects, started a further 14 and completed 5 others. 3 of the completed projects successfully transferred to production (**over time, the cumulative percentage of transferred R&D projects now stands at 39%**).

### 3.4.2 Innovation projects and milestones

Within the framework of the new open innovation approach, R&D engagements arise from innovation plans external to Adif and from our own internal plans.

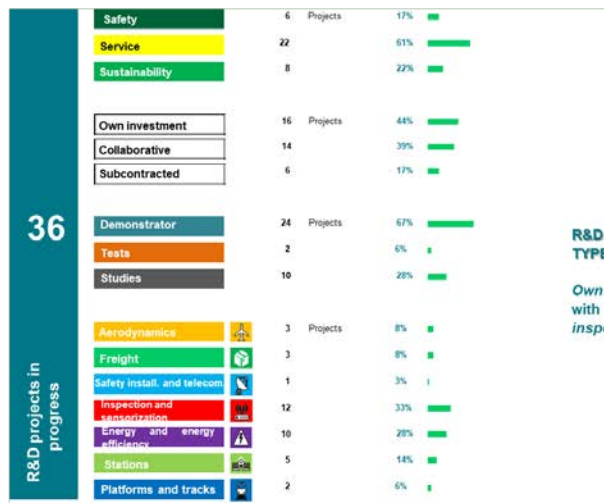
The following R&D engagements were undertaken in 2020:

- For the Adif AV Sub-Department of Development and Coordination:
  - Stand-alone BIM modelling of linear infrastructure
- For the Corporate Conservation and Maintenance Department:
  - Demo of a fractured rail detection system based on acoustic technology
  - Demo of a fractured rail detection system based on DAS technology
  - Technical analysis and standardisation relating to side-wind impact on infrastructure (UIC)
  - Demo of a bridge inspection system based on drone and 5G technology
  - Demo of a satellite-vision terrain deformation detection system
- For the Sub-Department of Technical Coordination of the Corporation Strategic Planning and Project Management Department:
  - Development of a 3D model of our infrastructure
- For the Stations Department:
  - Installation of digital technology demos at the Málaga-María Zambrano station
  - LIFI technology demo at passenger stations
  - Demo of a system for people positioning within passenger stations

In 2020, Adif AV started 14 projects and completed 3 projects begun in previous years. The Adif/Adif AV project portfolio comprises 145 ventures, broken down as follows:

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### R&D projects in progress Summary by *classification*

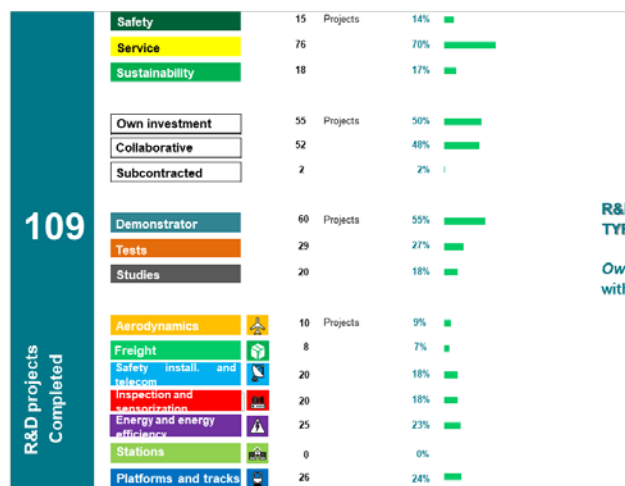


#### R&D project in progress TYPE:

*Own investment project in the Service pillar with demonstrator related to Infrastructure inspection and sensorization*

R&D project book  
November 2020

### R&D projects completed Summary by *classification*



#### R&D project completed TYPE:

*Own investment project in the Service pillar with demonstrator related to Platform and track*

R&D project book  
November 2020

In 2020, we completed 3 projects:

- **ERSAT GGC** (safety facilities and telecommunications area). The results were transferred to the RAILGAP project.
- **GIRALDA RAIL** (infrastructure inspection and sensor-equipped area).
- **SENTINEL** (infrastructure inspection and sensor-equipped area), transferred to production as an assembly guide; results transferred to 3D PILOT project.

We also started a further 14 projects:

- **AERONOISE**: Technical analysis and standardisation of high-speed rail noise mitigation measures.

- **H2TR:** Technical analysis and standardisation hydrogen use in rail transport.
- **RSMES:** Technical analysis and standardisation of energy storage for rail transport.
- **CARRIL ROTO 2:** Demo of a fractured rail detection system based on acoustic technology.
- **LIFI:** Demo of “lifi” technology (wireless two-way system that transmits data via LED or infrared light) at passenger stations.
- **POSICIONAMIENTO:** Demo of a system for people positioning within passenger stations.
- **SIAMAR:** Demo of an automatic inspection and monitoring system for rolling stock in motion.
- **SMAN BRIDGE:** Demo of a predictive structure maintenance system. The project is funded by the “Innovative Public Procurement Programme” of CDTI, Spain’s state-owned enterprise for technology development.
- **SMAN CROSSING:** Demo of a predictive rail-crossing maintenance system. The project is funded by the “Innovative Public Procurement Programme” of CDTI, Spain’s state-owned enterprise for technology development.
- **SMAN SWITCH:** Demo of a predictive rail-switch maintenance system.
- **SMAN TC:** Demo of a predictive track-circuit maintenance system.
- **BORNA INTELIGENTE:** Development of a “smart” terminal for high-speed track switch heaters.
- **FCH2RAIL:** As part of the Horizon 2020 Programme, the goal of this project is to develop a new hybrid electric/hydrogen battery traction system to enable electric trains to run on non-electrified railway lines.
- **3D PILOT:** Development of a 3D model of our infrastructure to enable us to convert data processed by an asset acquisition system into BIM data.

### 3.4.3. Intangible assets and technology transfer

In 2020, Adif managed an intellectual property portfolio comprising 22 patents, 8 of which include international extensions. We also managed 5 utility models, one industrial design, 32 Spanish trademarks, 6 EU trademarks and 2 international trademarks. In the copyright category of IP, Adif owns the rights in 7 audiovisual works, 18 software applications, 56 manuals and 63 technical specifications.

With the aim of helping transfer know-how to the productive sector, in 2020, Adif was party to 11 technology transfer and manufacturing/commercial operation licensing agreements which generated €85,587 of royalty revenue for Adif and Adif AV.

In 2020, Adif managed a portfolio of **22 patents** and was party to **11 technology transfer and manufacturing licensing agreements.**

Listed below are the licensing agreements signed in the course of 2020, specifying each product and licensee. The amount of royalties paid over the year to Adif and Adif AV is indicated in brackets. All licences are non-exclusive.

- Mechanism cover lid for sleepers: DYFSA (€3,687).
- MIFFO: Focus (€1,500).
- Falling object detector: Logytel (for Dubai, €4,580), Cobra, Thales (€3,000) and Indra.
- Side-wind detector: CAF Signalling (€3,000) and Logytel (€3,000).

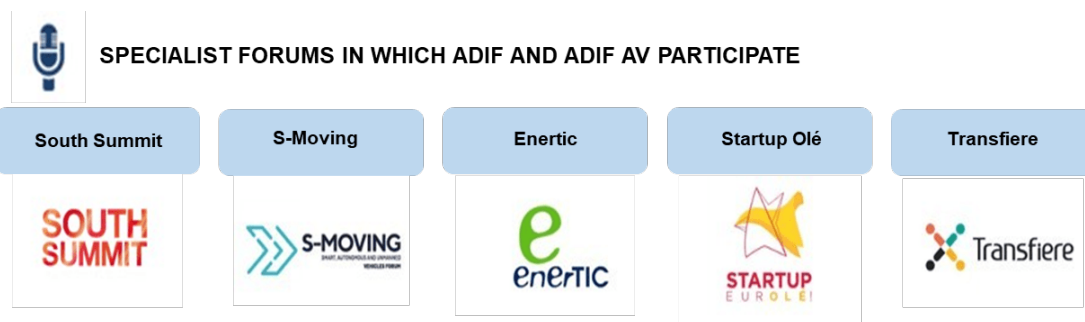


### 3.4.4. Collaborative innovation

The competitive environment is driving Adif to search for new ways of organising its internal processes and configuring its relationships with other players in order to pool and share risks and resources. Adif and Adif AV are fostering collaborative and open innovation in order to boost know-how and technology development in the scientific-technology community. By publicly announcing the technology it would like to see developed, it stimulates the research needed to design advanced solutions for the real operating needs identified by Adif AV as a result of the evolving competitive landscape, while contributing to economic development in parallel.

Adif and Adif AV articulate their engagement with the innovation community via participation in specialist forums.

Adif and Adif AV articulate their engagement with the innovation community via participation in specialist forums.



### 3.4.5. Open innovation and entrepreneurship

In 2020 Adif AV took part in two preliminary market surveys on two challenges Adif now faces:

- Implementing predictive maintenance on track circuits and turnout drives (survey organised by Adif).
- Monitoring of bridges, viaducts and turnout devices in rail infrastructure (survey organised by CDTI).

These are additional to five earlier challenges:

- Rail fracture prediction and detection
- Replace telephone blocking with new technologies
- Predict and detect external effects on infrastructure
- Introduce blockchain technology to processes requiring information security
- New value-added Wifi services at stations

In 2020, “intrapreneurship” got a strong boost from our Adif Talent contest. An internal panel of judges selected a shortlist of 30 finalist projects. An independent external panel will then pick the award-winners in each category. In this period, the milestones consisted of appointing the internal and external panels and selecting the contest finalists.

Adif AV Talent is a new corporate initiative designed to stimulate and raise the profile of our internal talent. This new format seeks to leverage existing potential within Adif and Adif AV with a tighter focus on corporate strategy and its requirements. This was the first year of the contest; the deadline for submitting contest entries ran until 31 March 2020.



The Sub-Department of Strategic Innovation manages two different internal creativity mailboxes for Adif and Adif AV members to submit their proposals:

- ✓ Our “**innovation ideas mailbox**” is an Adif in-house channel available to all employees to suggest improvements in management. The channel leverages our people’s experience and knowledge for the benefit of enhanced efficiency and value creation within the Company, making it more competitive.
- ✓ The “**R&D ideas mailbox**” provides an open door to innovation for project proposals and ideas that can be transformed into new R&D projects. This mailbox is also open to outside participants via a link on Adif’s website: rather than limit ourselves to internal creativity, we welcome suggestions from anyone, whether or not they have ties to Adif or Adif AV.

For further information, check out our website:

[http://adif.es/es\\_ES/empresas\\_servicios/innovacion\\_idi/retos\\_adif/retos\\_adif.shtml](http://adif.es/es_ES/empresas_servicios/innovacion_idi/retos_adif/retos_adif.shtml)

### 3.4.6. Railway technology centre

The Railway Technology Centre (Centro de Tecnologías Ferroviarias or "CTF" is an innovation forum with a distinguished history that is now firmly established in the technology sector. The centre is intended as a meeting place for innovators, and as a workplace where venturers who engage in technological initiatives with railway industry applications can take their projects forward with their own people in a shared environment.

The CTF now hosts 21 companies – 16 of which are multinational – that work on their own railway technology projects.

#### The Railway Innovation Hub Spain

In May 2018, Adif AV and the Railway Innovation Hub Spain signed a framework protocol in order to collaborate on activities related with scientific research and technology development. Under the protocol, the Hub is headquartered at the CTF and is entitled to use the shared facilities. The initiative has drawn more than 80 companies, 16 of which are physically present at the CTF.

### 3.4.7. Digital transformation

Adif AV understands digital transformation as the implementation of systems for the smart management of its processes in tandem with reinforcement of its digital interaction with customers. Framed by that perspective, digital transformation implies organisational change and adaptation in how people approach processes. Therefore, while digitalisation and digital transformation are often used interchangeably, it is crucial to keep in mind the distinction between the two concepts:

- **Digitalisation** is the use of technology to bring about change in business models so as to optimise profit and create new opportunities.
- **Digital transformation** comes after digitalisation and builds on top of it. Digital transformation provides a non-technical vision that leads to far-reaching organisational change, enhancing working practices and enabling people to approach their tasks more efficiently.

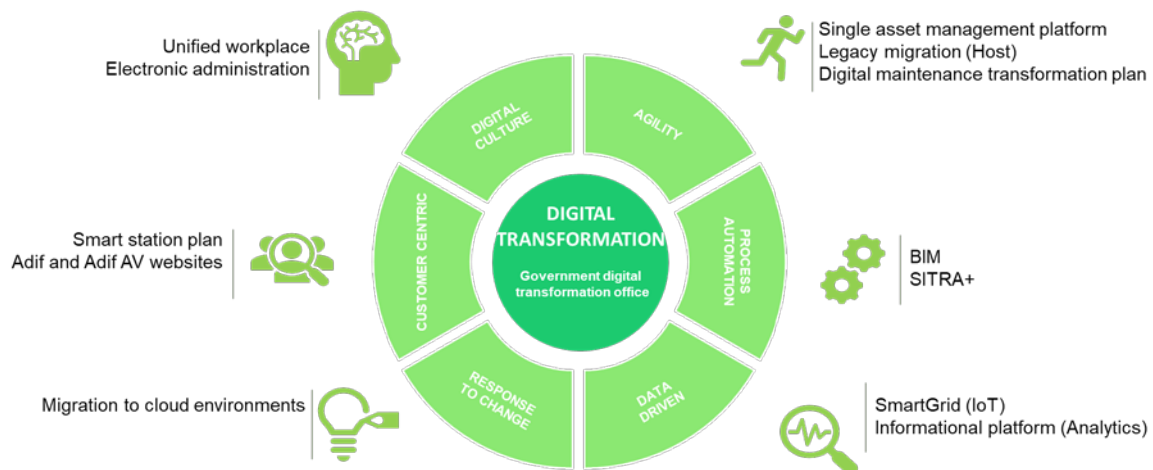
For Adif AV, digital transformation rests on the following pillars:



In 2019, the Company's Digital Transformation and Systems Department's strategy materialised in the rollout of the "Digital Transformation Driver" program, encompassing a series of action plans, with the aim of fully incorporating the Company into the digital society.

The Digital Transformation and Systems Department acts as a lever that provides secure, reliable and sustainable ICT services and solutions that enhance our organisation's operation and management. The Department is a **key technological partner for the digital transformation** of our business, with a focus on customer service and resource optimisation.

The **main lines of action** relating to the pillars that underpin digital transformation and shape the strategy of the Digital Transformation and Systems Department are the following:



### Key digital transformation projects

In 2020, Adif AV continued to drive forward its transformation projects, such as the “Passenger Station Digital Transformation Master Plan” under the ongoing oversight of the **Digital Transformation Office**. The goal is to lead the implementation of initiatives within the Master Plan of 2018, while continuously improving management processes and using the support of creative tools and techniques to achieve the intended goals.

At year-end, the Digital Transmission Office was running 23 initiatives out of the 78 under the plan, which is a living document under ongoing review.

Key initiatives related to the liberalisation of the railway sector; e.g. control of boarding area access or the projection of information related to the placement of train carriages along the platform, enabling passengers to board and find their seats faster. Other projects that we are taking forward in their preliminary or execution stages include the “stations neurone hub”, a customer relationship management (CRM) initiative, a shared Adif /Adif AV space – to be gradually introduced at passenger stations – new digital formats, “lost and found” management, further development of our Elcano platform (a core technological pillar that places several plan initiatives in relation to one another), and the pilot initiative led by RED.es for smart buildings, which will enable Adif AV to exchange information across stations and local government bodies.

In 2020, the Digital Transformation and Systems Department leveraged its experience in transformation processes to design a proprietary Adif/Adif AV methodological framework to implement digital transformation plans across all our areas of activity. Within this framework, we started a Digital Transformation Plan for the maintenance and conservation area, which will be extended to the entire Adif Maintenance Division.

In line with the Company’s digital transformation process, we started and reinforced key projects such as:

- The Adif/Adif AV asset management platform, embedded within our project to specify and implement new end to end asset management model.
- The one-stop “Digital Workplace”. The COVID-19 pandemic meant that this initiative required a large scale rollout of equipment and solutions for our employees.
- A new traffic regulation platform, SITRA+.
- The BIM model implementation project of Adif and Adif AV.
- The Adif and Adif AV IoT platform, including the deployment of the SmartGRID solution, which will provide smart management of electricity.
- Digitalisation and automation of key processes around e-government platforms.

## 4. GOOD GOVERNANCE, TRANSPARENCY AND RISK MANAGEMENT

*At Adif AV we believe it is essential to base our management on a governance system underpinned by: guaranteed compliance; integration of business ethics into the organisation's culture (with a particular focus on our zero-tolerance stance towards corruption); and transparent management.*

Adif AV is a state-owned enterprise under the responsibility of the Spanish Ministry of Transport, Mobility and the Urban Agenda, in accordance with Law 40/2015, of 1 October, governing the public sector. It has separate legal personality, holds title to its assets and has full capacity to enter into binding contracts to achieve its corporate object.

However, for railway infrastructure construction or overhaul work – other than maintenance, signalling and electrification works – Adif AV is subject to the laws and regulations that govern public sector procurement. All matters relating to our property are governed by the Government Property Act.

### 4.1. Governing bodies and internal management

The Board of Directors is Adif AV's highest governing body and has the broadest powers to manage the Company. The Board can decide on its own structure and functioning, adopt annual budgets, financial statements and management reports, and authorise any lending or borrowing by the Company.

Within Adif AV, the Board has gone beyond the scope of the Company's charter to create committees of its own. Those committees are: the Audit Committee, the Ethics and Compliance Committee, the Appointments and Remuneration Committee, and Adif AV Internal Code of Conduct for Securities Market Dealings Compliance Committee. Further decision-making and advisory bodies are attached to the Chairman's Office, such as the Management Committee and the Procurement Committee.



#### 4.1.1. Board of Directors

Adif AV's charter provides that the Board of Directors comprises a Chair (who also chairs the board of Adif) and a minimum of nine and maximum of 10 Directors, whose appointment and dismissal falls within the remit of the Ministry of Transport, Mobility and the Urban Agenda. The Secretary of the Board of Directors is the same person as the secretary of the board at Adif (Article



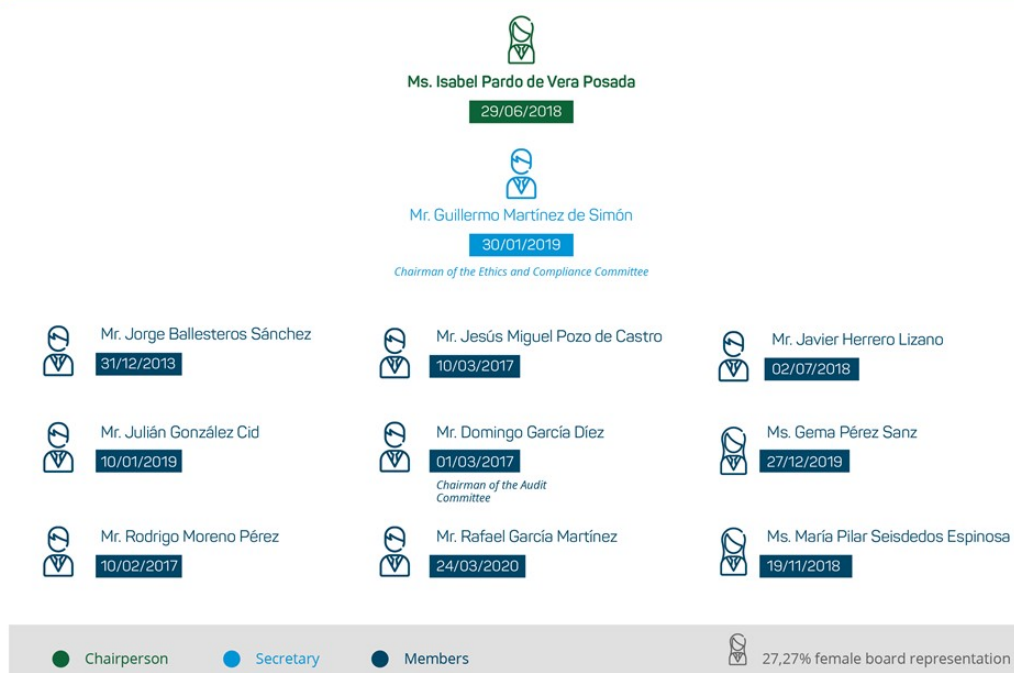
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

25 of the charter of Adif AV). The Secretary can speak at Board meetings, but has not vote - unless he or she is also a Director.

At 31 December 2020, the Board of Directors was made up of 12 members: the Chairwoman, the Secretary and 10 Directors:

In 2020, the Board of Directors met on **12 occasions**.

### ADIF AV 2020 BOARD OF DIRECTORS



#### The individuals who stepped down from the Board of Directors in 2020:

- Elena María Ayuso Mateos (27/12/2019) (NOTE: The last Board meeting of 2019 was held on 20 December. The Board was briefed on Director departures and appointments at its first meeting of 2020, on 31 January. At that meeting, Gema Pérez Sanz accepted a Directorship.)
- Jaume Sellés Santiveri (24/03/2020)

The most noteworthy aspects of how the Board of Directors is organised and operates:



**Quorum:** to call board meetings to order the following must be present: the Chairwoman and the Secretary and, at first call, at least half of its members and, at second call, one-third. At least one hour must elapse between the first and second call.



**Meetings:** according to Article 19 of Royal Decree 1044/2013, enacting Adif's charter, the Board of Directors must meet, when called, at the behest of its Chairwoman or at the request of at least half of its members. It must meet as many times as are deemed necessary to correctly fulfil its duties, albeit subject to a minimum of 11 meetings a year.



**Proxy voting:** Proxy voting is not allowed under the Adif AV charter or the rules and regulations of the Adif AV Board of Directors.



**Adoption of resolutions:** Board resolutions pass by an absolute majority of Directors present. The Chairwoman has the casting vote in the event of a tie.



**Remuneration:** Under Article 21 of the Adif AV charter, membership of the Board is unpaid.

## **DUTIES AND CONCERNS BOARD OF DIRECTORS**

The main duties vested in the Board of Directors are the following:

- Determining the Company's structure and the guidelines for modifying its workforce and key remuneration terms.
- Establishing the rules of operation and resolution ratification within the Board.
- Approving annual operating and capital expenditure budgets and the multi-year action plan and presenting them to the Ministry of Transport, Mobility and the Urban Agenda.
- Approving the annual financial statements, management report and proposed distribution of profit or loss.
- Authorising loans and borrowings.

In 2020, the Board of Directors met on 12 occasions. At those meetings, the attendees addressed issues such as:

- Tenders, contract awards, contract incidents, contract terminations, green lights for expenditure and procurement dropouts.
- Collaboration agreements.
- Addendum to management agreements between the state-owned enterprise Adif Alta Velocidad (Adif AV) and the state-owned enterprise Administrador de Infraestructuras Ferroviarias (Adif).
- Grants of powers of attorney for corporate and asset transactions
- Resolution of the Board of Directors of the state-owned enterprise Adif AV approving the procedure for awarding remaining framework capacity to candidates that have been pre-awarded capacity packages.
- Extended term for the signing of master agreements, as stipulated in the resolution of 27 November 2019 of the Board of Adif AV.
- Approval of fees for certain services (asset commercialisation; track and station apron cleaning; railway material processing, etc).
- Adoption of the proposal for service prices at passenger stations in 2021.
- Approval of the price proposal for access to facilities related to the on-board logistics service for loading and unloading of passenger services (SX-11).
- Approval of the draft terms for the provision of Basic Service SB-10 (PRM assistance service at Adif AV stations) and Auxiliary Service SX-12 (PRM assistance service for boarding and alighting from trains at Adif AV stations).
- Approval of the price proposal for the provision of exceptional additional transport services at Adif AV service facilities for 2021.



The Board of Directors operates in accordance with the rules set out in the charter of the state-owned enterprise Adif AV. The charter is available on the website

[www.adifaltavelocidad.es](http://www.adifaltavelocidad.es). In addition, the Board follows its own internal rules, and is governed by Law 40/2015 setting out the legal regime for collegial bodies within the public sector.

## **ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT**

- Proposals for the modification and update of the charges applied to the use of rail infrastructure in 2021.
- Approval of the First Additional Protocol to the Licence Agreement dated 28 December 2015.
- Approval of Adif AV's 2019 separate financial statements.
- Adif AV's 2021 budget.
- Approval of the Adif AV Annual Corporate Governance Report for 2019.
- Approval of the procedure for service requests at Adif AV passenger stations.
- The 2020 and 2021 updates of the Network Statement.
- Extension of the deadline indicated in Article 7(2)(c) of Order FOM/897/2005, of 7 April 2005 regarding the request for national rail routes for the 2020/2021 service schedule to update the schedule for the award of national rail routes provided for in section 4.3 of the Network Statement.
- Resolution to amend the Adif AV Network Statement for 2020 regarding the overall capacity statement.
- Resolution to amend the Adif AV Network Statement for 2020 regarding the bonus to encourage rail traffic.
- Replacement of Adif AV representatives at investees.
- Authorisation for borrowings and other financial transactions.



## 4.1.2. Other internal management bodies



### AUDIT COMMITTEE

The Audit Committee is regulated by the rules of operation approved by the Board of Directors on 27 February 2017. The former audit committee was abolished.

At 31 December 2020, the Audit Committee comprised three Adif AV Directors: Domingo García Díez, as Chairman, Jorge Ballesteros Sánchez and María del Pilar Seisdedos Espinosa. The Secretary of the Audit Committee is Guillermo Martínez de Simón Santos. Its members are named by the Board of Directors of a period of four years, with scope for re-election.

The Audit Committee supervises the Company's financial reporting, reports to the Board of Directors on its work, and addresses other matters of concern.

Due to the corporate structure, scale and complexity of Adif AV, a state-owned enterprise, internal control needs to be strong. To that end, in 2013, the Board of Directors agreed to reinforce the internal audit function to ensure that the decisions taken, the procedures implemented and the controls established by senior management are appropriate, systematic and long-lasting.

Therefore, on 28 March 2019, the Board adopted the rules of procedure of the Internal Audit Department. The rules set out the mission, powers, duty of independence and scope of the Internal Audit unit.



**ETHICS AND COMPLIANCE COMMITTEE**

The Ethics and Compliance Committee is a permanent internal body. Its role is advisory rather than executive. The Committee advises the Board and submits proposals.

The Committee - which was formed by the Board of its own volition, and is not one of the bodies provided for in the charter - has its own powers to take initiatives and oversee matters within its remit. The chairmanship, composition and operating rules of the Ethics and Compliance Committee are set out in its own regulations.

The role of the Ethics and Compliance Committee is to ensure that the commitments and rules of conduct set out in the Adif Code of Ethics and Conduct are complied with. In addition, the Committee advises the Company on how to improve the ethics model going forward.

The role of the Ethics and Compliance Committee is to ensure that the commitments and rules of conduct set out in the Adif Code of Ethics and Conduct are complied with. In addition, the Committee advises the Company on how to improve the ethics model going forward.

- Assess and oversee compliance with Adif AV's Code of Ethics and Conduct
- Oversee the mechanism that enables employees and outside parties to report breaches of the Code of Ethics and Conduct
- Lead enquiries and claims with respect to alleged compliance-related breaches of Adif AV's Code of Ethics
- Propose amendments to the Code of Ethics in order to fine-tune it and adapt it for new circumstances and paradigms
- Propose measures for fostering familiarity and compliance with the Code
- Review compliance policies
- Approve the European Commission's Fraud Risk Self-Assessment and Summary Report
- Carry out any other tasks assigned to it by the Board

The committee was created with the following composition:

- Guillermo Martínez de Simón Santos – Chairman
- Michaux Miranda Paniagua – Human Resources Member
- Juan Pedro Galiano Serrano – CSR Member
- Lourdes Porta Etessam – Risk Management Member
- Manuel Fresno Castro – Finance Management Member
- Juan Pablo Villanueva Beltramini – Adif AV Member
- Antonio Velázquez Borge – Secretary | Compliance

**14.29%****Women**



### RISK COMMITTEE

The Risk Committee was created on 14 December 2018. It comprises the heads of the business units and the risk management and internal audit units. It has the following duties:

- Create the Company's risk map and update it at least annually and whenever needed.
- Track identified risks and their related controls, indicators and action plans at the required intervals.
- Adopt specific risk management policies as appropriate.
- Determine and review the Company's desired risk profile and ensure that it is aligned with the Company's strategy.
- Report to the Management Committee and submit proposals as required for the proper performance of the risk management function.



### INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) COMMITTEE

The ICFR Committee was created on 7 July 2017. It is chaired by the Chief Financial Officer, and its members include the "owners" of ICFR processes and the heads of the economic management and financing division, the risk division, the internal audit unit and the economic programming and budgets division.

In accordance with the rules of the Committee, its roles include:

- Delimiting the scope of the ICFR system, i.e., its key processes.
- Conducting an annual review and validation of all ICFR processes.
- Producing annual ICFR progress reports.
- Assessing the Internal Audit unit's ICFR performance.
- If appropriate, proposing that ICFR be subjected to external audit.



### MANAGEMENT COMMITTEE

The Management Committee, which was formed at the discretion of the Board outside the scope of the Company charter, advises the Chairwoman on executive decisions. It has the following duties:

- Advise the Chairwoman on matters within her remit.
- Advise the Chairwoman on Board matters that must be reported to or approved by her.
- Discuss other matters pertaining to Adif AV added to the agenda at the initiative of the Chairwoman or any member of the Management Committee.



### PROCUREMENT COMMITTEE

The Procurement Committee, which was formed at the discretion of the Board outside the scope of the Company charter, advises the Chairwoman on procurement decisions. It has the following duties:

- Advise the Chairwoman on procurement matters within her direct purview or so delegated by the Board and on matters within the purview of the Board that must be reported by it to or approved by the Chairwoman.
- Discuss any other matter pertaining to procurement at the Company.



### APPOINTMENTS AND REMUNERATION COMMITTEE

At its meeting of 29 January 2018, the Board of the state-owned enterprise Adif AV decided to create an Appointments and Remuneration Committee. The Committee is made up of a Chairwoman (María Pilar Seisdedos Espinosa) and two other members (Domingo García Díez and Jesús Miguel Pozo de Castro).

The duties of the Committee are:

- Setting a target for presence on the Board for the under-represented sex.
- Ensuring that the Directors of Adif AV comply with the duty to avoid conflicts of interest and other states of affairs that would legally bar them from performing their role as a Director.

The Appointments and Remuneration Committee did not meet in 2020.



### ADIF AV INTERNAL CODE OF CONDUCT FOR SECURITIES MARKET DEALINGS COMPLIANCE COMMITTEE

The Adif AV Internal Code of Conduct for Securities Market Dealings Compliance Committee is a body formed by the Board, going beyond the strict requirements of the Company charter. The Committee comprises a Chairman (Juan Pablo Villanueva Beltramini, as CEO of Adif AV) and three other members, Guillermo Martínez de Simón Santos (as Secretary of the Board of Directors of the Company, acts as Secretary of the Committee), Manuel Fresno Castro (as Chief Financial Officer of Adif) and Javier Torres Gella (Chief Legal Officer of Adif). The latter two Committee members are also Adif executives.

The role of the Committee is specified in section 14 of the Internal Code of Conduct. As the body in charge of overseeing compliance with the Code, the Committee has powers to:

- Assess the effectiveness of internal procedures and oversee compliance with the safeguards surrounding confidential information under the Code.
- Take steps to provide training to employees on matters within the scope of the Code.
- Interpret the rules of the Code, resolve queries as to how to apply it, and adapt it to prevailing laws and regulations.
- Annually report to the Code of Ethics and Conduct Oversight Committee on any significant incidents.

The Code of Conduct Compliance Committee did not meet in 2020.

### 4.1.3 Corporate policies and KPI system

Adif AV is a public service company and as such is obliged to adapt to changes in society and respond to citizens' needs, in that way contributing actively to transformation of the sector and the Company itself, while guaranteeing the sustainability and public utility of the rail system. To articulate those commitments, it formulates corporate policies that address the matters of relevance to the organisation. Those policies lay down Adif AV's commitments in different areas.

## CORPORATE POLICIES

- Corporate Anti-Fraud Policy
- Conflicts of Interest Prevention and Management Policy
- Quality Policy
- Environmental Management Policy
- Prevention Policy
- R&D Policy
- Information Security Policy
- Adif AV Code of Ethics and Conduct
- Whistleblower Channel Management Procedure
- Enterprise Risk Management Policy
- Internal Control over Financial Reporting (ICFR) Policy
- Fraud Prevention, Detection and Management Procedure
- Security Policy
- EU Fund Fraud Risk Management Procedure
- Sponsorship Policy

Adif AV uses the following specific performance indicators to monitor compliance with these policies, with a focus on anti-corruption and bribery:

Description of indicators		Unit	2018	2019	2020
Anti-corruption and bribery measures adopted	Reports via Whistleblower Channel **	No.	57	60 (*16)	53(*17)
	Conflict of interest disclosures **	No.	794	886	1,050
	Employees receiving ethics training **	No.	542	398	439

(\*) Received and resolved through the Whistleblower Channel or any other means that could expose a breach of the commitments under the Code of Ethics.

(\*\*) (Adif + Adif AV)

## 4.2. Business ethics and transparency

Adif AV's Board approved the Code of Ethics and Conduct in 2009. The Code was revised and updated in March 2015 to factor in regulatory developments in corporate criminal liability and the principles underpinning Ley 19/2013 on transparency, access to public information and governance.

In 2019, framed by the Company's commitment to continuous improvement, Adif AV once again revised and updated its Ethics Model, fine-tuning the Code of Ethics and Conduct and approving a series of policies and procedures.

### ADIF AV CODE OF ETHICS AND CONDUCT

The Code lays down the Company's values with the aim of formalising the conduct expected of everyone belonging to the organisation and its governance bodies. The Code also applies to anyone we have dealings with.

The Code sets out the following commitments:

- Compliance with the law
- Infrastructure safety
- Correct use of public resources
- Professionalism and integrity
- Anti-fraud
- Correct use of information
- Decency and respect
- Equal treatment of customers and suppliers
- Health and safety safeguards
- Respect for the environment and cultural heritage
- Protection of Adif AV's reputation

The Ethics and Compliance Committee is tasked with overseeing and, ultimately, enforcing, the Code of Ethics and Conduct.

The Code, which was included in clause 12 of the first Adif and Adif AV collective bargaining agreement, is on Adif AV's intranet and is also in the public domain via the corporate website. Adif AV provides its employees with mandatory training on ethical management practices.



In 2020, **439 employees** (figure for Adif and Adif AV together) received ethics training.

Adif AV thus makes sure that all of its employees are familiar and act in accordance with its principles.

### WHISTLEBLOWER CHANNEL

Potential breaches of Adif's Code of Ethics and Conduct can and should be reported to the Whistleblower Channel.

The Whistleblower Channel fields claims from Adif AV employees, via the intranet, and from third parties, via the website. Complaints and claims can be reported anonymously so long as they are accompanied by proof or evidence sufficient to justify initiating an investigation. Adif commits to the following throughout the process of reporting and handling claims via the Whistle-Blowing Channel:

- Keeping the personal data and information received through the Whistle-Blowing Channel confident
- Ensuring there is no retaliation against any person reporting an incident in good faith
- Protection of privacy, legitimate defence and presumption of innocence for all professionals accused of a Code breach

In 2020, Adif AV's **external whistleblower channel drew 2,428 unique visitors** and received **two reports** of alleged breaches of the Code of Ethics.

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Adif AV demands that its employees act professionally and with integrity and does not tolerate any conduct that could be construed as corruption or bribery.



In 2020, there were **1,050 (\*)** reports of conflicts of interest and 30 queries.

(\*) Adif + Adif AV

The Code of Ethics and Conduct embodies the commitment made by Adif AV's employees to act at all times **honestly and with integrity** at work and to report and **avoid any situations that could present a conflict of interest**.

That commitment translates into a series of measures and obligations that are binding upon employees in performing their professional duties:

- Not using Company funds or resources for their own benefit.
- Not accepting preferential treatment or privileges deriving from their positions or jobs.
- Refusing any gift, favour, service or financial benefit that goes beyond common courtesy or hospitality, whether from suppliers, contractors or any other party.
- Not making payments or extending gifts or any other type of offering to public or private sector employees that could sway their decision-making.
- Reporting any conflicts of interest to which they may be party.
- Abstaining from intervening in or influencing decision-making, participating in meetings or accessing confidential information in manners in which they may be conflicted.
- Rejecting favouritism on the grounds of kinship, friendship or any other circumstances, in procurement and employee promotion processes.
- Avoiding practices that might be construed as unethical.

Everything that Adif AV does must be aligned with the public interest and the values set out in our Code of Ethics and Conduct. Hence, everything we do and each decision we make must be:

- Legal.
- Ethical.
- In the interests of the Company and of society.
- And each one of us at Adif AV must be willing to be accountable for our actions facing our colleagues, family members and the public.

Moreover, in line with Law 19/2013 on transparency, Adif AV remains strongly committed to reinforcing transparency with respect to its activities, in keeping with best practices in Spain and internationally. That is why it has set up a Citizen's Portal where any interested party can easily access the Company's public documentation. In addition, Adif AV participates in the Transparency Portal of the Ministry of Transport, Mobility and the Urban Agenda, which provides information about public bodies, state-owned enterprises and foundations.



The Citizen's Portal is accessible via the corporate website  
[www.adifaltavelocidad.es](http://www.adifaltavelocidad.es)

### 4.2.1. Anti-corruption and bribery

The Corporate Anti-Fraud Policy formulated by Adif AV is framed by its strategic orientation and, specifically, its commitment to creating value for society. Its ultimate aim is to develop a

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

governance and management model that reinforces Adif AV as a state-owned enterprise that is well-managed and governed by stringent ethics and transparency principles.

The policy applies to the Board of Directors, senior management, and in general, without exception and no matter their positions, responsibilities, areas of expertise or physical locations, all Adif AV employees.

Furthermore, Adif AV's pledge of a **zero-tolerance attitude towards fraud** has translated into certain specific obligations:

- A commitment to report any indication of fraud via the channels put in place to that end.
- Fostering of a culture that strongly dissuades against any form of fraudulent conduct.
- Transmission of reliable information in order to create a true and fair view of Adif AV's activities, strategy and economic, social and economic performance.
- Repudiation of misleading, fraudulent or malicious conduct that could lead to unfair or improper advantages for Adif AV.

### ANTI-FRAUD EFFORT: KEY DOCUMENTS

The effort to combat fraud is one of the cornerstones of Adif AV's compliance model. The key documents articulating that model are:

- Corporate Anti-Fraud Policy
- The Fraud Prevention, Detection and Management Procedure, which establishes the principles and guidelines for preventing fraud
- Institutional Anti-Fraud Statement
- EU Fund Fraud Risk Management Procedure

To exemplify its zero-tolerance stance on fraud and corruption, Adif AV has established a series of measures for preventing and detecting, to the extent possible, any form of fraudulent conduct and remedying the consequences as required. That control system is set out in the Fraud Prevention, Detection and Management Procedure which establishes Adif AV's objectives, duties and measures in the fraud prevention arena.

In 2020, we set in motion initiatives that improved internal proceedings and, where applicable, court proceedings in civil and criminal matters.

The purpose of the EU Fund Fraud Risk Management Procedure is to establish the responsibilities, methodologies and activities carried out by Adif and Adif AV as part of their anti-fraud cycle. That cycle includes all the measures designed to prevent, detect and pursue fraud. The universe of measures articulating the four elements of the anti-fraud cycle pave the way for a proactive, structured, well-guided and comprehensive approach to managing fraud risk, as recommended by the European Commission, thus reducing the risk of the commission of fraud significantly and providing a sufficiently dissuasive culture.

On 26 November 2019, we set up the European Union Funds Fraud Risk Assessment Sub-Committee whose main remit is to prepare, with the frequency established in the related procedure, the Fraud Risk Assessment in terms of impact and probability, using the tools provided by the European Commission and others Adif or Adif AV may wish to create. That Assessment, which encompasses more than 100 controls, must be revised and updated annually.



### 4.3. Human rights pledge

Adif AV's commitment to treating people respectfully and decently is set down in its Code of Ethics and Conduct. The Code ratifies the principles enshrined in the United Nations Universal Declaration of Human Rights and the International Labour Organization's Tripartite declaration of principles.

All Adif AV employees must respect all of the people the Company engages with, both within and outside the organisation. The prevention of discrimination, provision of equal opportunities and decent treatment of all are essential to nurturing a stimulating and productive work climate at Adif AV that translates into positive relationships and credibility vis-a-vis all of our stakeholders.

Adif AV did **not** receive any complaints of **human rights violations** in 2020.

### 4.4. Risk management

As part of its ongoing commitment to transparent, responsible and sustainable management practices, Adif AV believes that it is of critical importance to have in place a comprehensive, consistent and transparent risk management system that provides a common framework of rules and enables us to identify, assess and manage risks in a standardised way while clearly delimiting roles and responsibilities. For this purpose, we have risk management areas that address specific needs and regulations (rail traffic safety, workplace health and safety, environment, information security, internal control over financial reporting, compliance, etc) and an overarching risk management system.

Adif AV has an **enterprise risk management model** so as to be able to establish appropriate information channels and flows to ensure timely communication and foster a culture of proactive risk management in all areas of the Company, while keeping exposure within the defined thresholds.

#### 4.4.1. Enterprise Risk Management System

Adif AV has an enterprise risk management system which, aligned with best practice in this field, facilitates the provision of systematic and orderly responses to a universe of risk factors with the complexity and range of an organisation of its nature. The system is framed by the principles established in the board-approved **Enterprise Risk Management Policy**.

##### PRINCIPLES EMANATING FROM THE ENTERPRISE RISK MANAGEMENT POLICY

- Integrating risk into the Company's management by means of a unified vision of its strategic and business objectives and of the associated risks.
- Ensuring that the risks that could affect the Company's strategic targets and their delivery are correctly managed and kept within the established risk tolerance levels.
- Maintaining a consistent and transparent end-to-end risk management system which establishes a common set of rules and facilitates standardised identification, assessment and management of risks, with clear roles and responsibilities.

The policy clearly delimits the rules of the parties involved in the system. On one hand, there are risk management tasks that are inherent in each specific area of activity, while, on the other, we

have “coordinating units” that manage and oversee specific risks that cut across the organisation. All such officers and units, headed up by the risks unit, are represented on the Risk Committee, which reports to the Management Committee.

The Risk Committee is responsible for drawing up and monitoring the Adif AV risk map. The map outlines the key threats to the Company’s ability to achieve its goals and perform its role.

In 2020, as part of our Enterprise Risk Management process, we paid special attention to the COVID-19 pandemic and its possible future scenarios, and drew up a specific risk map. To ensure the map provides a comprehensive overview, we supplemented it with the rest of strategic and critical risks faced by the Rail Network Manager.

The consolidated risk map for 2020 which we monitored and managed over the year can be summarised into the following categories:

Risk category	Description
<b>Safety</b>	Risks relating to incidents, accidents or malicious acts that could affect the continuity of the Company’s operations, the state of its assets, customers or the environment.
<b>Operations</b>	Events that could compromise service quality.
<b>People</b>	Difficulties in staffing and talent management. The category also embraces risks to which employees are exposed.
<b>Reputational and compliance</b>	Issues surrounding corporate governance, transparency and accountability in accordance with the role of a state-owned enterprise. This category includes risks arising from breach of applicable laws and regulations and/or voluntarily adopted codes of good practice.
<b>Crisis response</b>	Risks arising from the ability of our business to respond, operationally and in terms of internal rules, to emergencies triggering high uncertainty and volatility.
<b>Financial</b>	Risks relating to the availability of funds and the financial sustainability of the Company.
<b>International</b>	Events arising from the Company’s involvement in international projects.

Finally, in 2020 we further evolved our corporate risk model by launching a process to identify **ESG risks** faced by Adif AV.

### 4.4.2. Internal Control over Financial Reporting (ICFR). COSO III

internal control environment and is made up of a compendium of processes which the Company and all of the professionals involved undertake in order to provide reasonable assurance as to the reliability of our financial information.

The ICFR system seeks to ensure the reliability of the Company’s financial information by means of the following five objectives:

- **Existence and occurrence:** the transactions, events and other developments mirrored in the financial information exist and were recorded at the right time.
- **Completeness:** the information reflects all the transactions, events and other developments affecting the Company.
- **Valuation:** the transactions, events and other developments are recognised and measured in keeping with applicable regulations.
- **Presentation, disclosure and comparability:** transactions, facts and other events are recognised and measured in accordance with applicable standards.

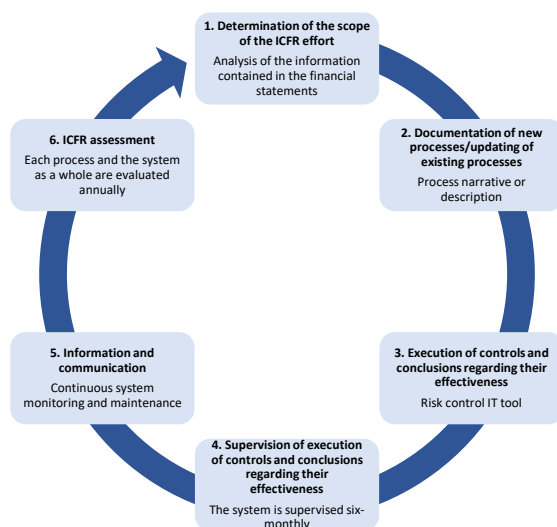
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

- **Rights and obligations:** the financial information reflects, as of the relevant date, the Company's rights and obligations by means of the relevant assets and liabilities.

Adif AV's ICFR system is inspired by COSO III, an internationally recognised integrated internal control framework, and is underpinned by three core elements: documentation of the controls performed and evidence gathered; continuous assessment over the course of the annual cycle; and the established pyramid of roles and responsibilities. The Company has a Board-approved ICFR policy which establishes the foundational methodology, responsibilities and principles of ICFR at Adif AV.

The system is structured as a cycle that works continuously, thanks to which the system remains permanently updated and valid. The annual cycle is divided into six phases:

Phases of the internal control over financial reporting (ICFR) process



Significant financial reporting processes within the scope of 2020 included:

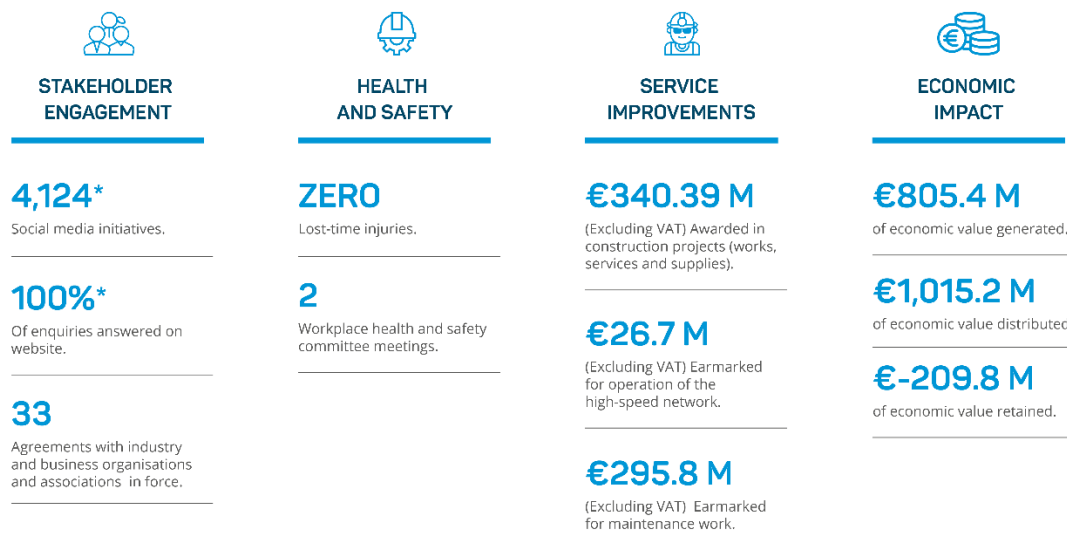
1. Property, plant and equipment, intangible assets, and management of government grants and assistance
2. Revenue: Tariffs
3. Financial instruments and cash management
4. Taxes
5. Electricity
6. Accounting and financial reporting
7. Recognition of contracts
8. Revenue: Leases
9. Revenue: Fibre-optic leases

The ICFR Committee is chaired by the CFO and is made up of the professionals responsible for each ICFR process, the heads of the Internal Audit, Economic Management and Financing, Planning and Budgeting and Risk divisions. In 2020, the Committee met twice using remote means.

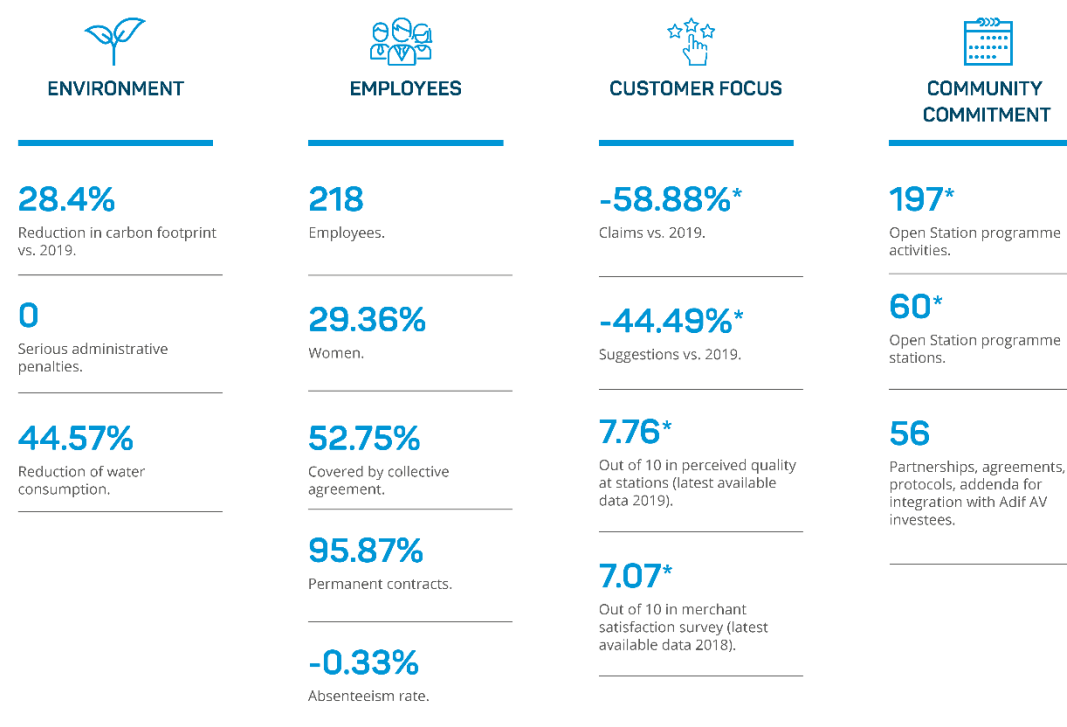
At those meetings, the Committee reviewed the previous year's ICFR effort, approved the scope of the effort for 2020, and monitored and oversaw the 2020 cycle and related developments.

## 5. IMPACT ON SOCIETY AND SHARED VALUE CREATION

*Adif AV is keenly aware of its tall responsibilities, just as it is conscious that what it does has important consequences for society. For that reason, it is strongly committed to serving the general interest unwaveringly. It strives to have a positive impact on all stakeholders with whom it works to create shared value.*



\* Adif + Adif AV.

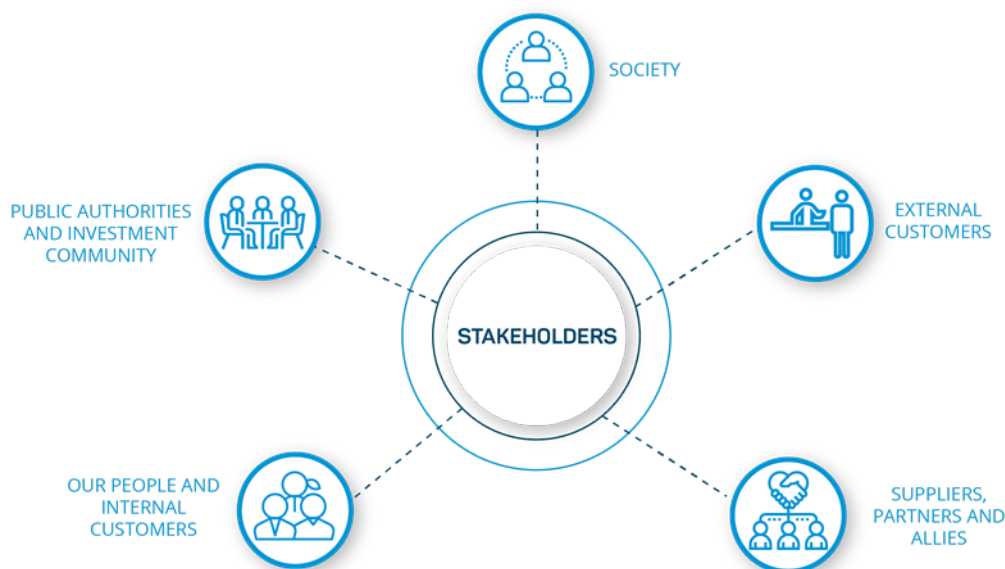


\* Adif + Adif AV.

## 5.1. Stakeholder engagement

Adif AV strives to predicate its management on its responsibility towards society. As a result, it is crucial to listen to its various stakeholders, with whom it has set up different communication channels.

Adif AV defines its stakeholders as any group that is or could be affected by the Company's activities, now or in the future, and/or legitimately affects or could affect the Company's activities and, by extension, its results. Its stakeholders accordingly include the rail operators, rail passengers, citizens, public authorities, employees, governments of other countries, suppliers, business partners and allies and the third sector (NGOs, charitable associations, etc.). For the 2030 Strategic Plan, the Company grouped a number of groups into five priority stakeholder categories:



Adif AV is aware of the importance of maintaining close, accessible and transparent relations with all of its stakeholders, which is why it ascribes great importance to the active management of its communication channels and the ability to gather feedback about what its stakeholders think about and want from the Company.

To that end, the Company is planning to revitalise its online presence by designing and developing a new corporate website. In parallel, it has been stepping up its media relations effort and has created a Transparency Portal. It also has the Investors' Portal to provide investors, especially socially responsible investors, with information of interest. As in 2019, Adif AV continued to prioritise social media in its stakeholder engagement effort.

The **corporate website**, its **social media** presence, the **media relations** effort, the **24H Network Management Centre**, the Transparency Portal and **events** are the **main channels** used by Adif AV to reach out to its stakeholders.

The table below summarises the channels in place for communicating with Adif AV's various stakeholders.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Stakeholders	Channel
<b>PUBLIC AUTHORITIES &amp; INVESTMENT COMMUNITY</b> (Ministry of Transport, Mobility and the Urban Agenda; state government and financial institutions)	<ul style="list-style-type: none"> <li>• Ongoing communication via the competent authorities (Under-Secretary of State, Secretary of State for Infrastructure, etc.)</li> <li>• Follow-up meetings</li> <li>• Collaboration agreements</li> <li>• Investors' Portal on the corporate website</li> </ul>
<b>EXTERNAL CUSTOMERS</b> (users of the rail system, rail operators, corporate customers, governments of other countries)*	<ul style="list-style-type: none"> <li>• Customer Service Offices in Adif AV stations (personalised customer service, grievance and suggestions management, etc.)</li> <li>• Annual satisfaction surveys: passengers and the tenants who lease commercial premises located in Adif AV stations.</li> <li>• Information phone line and e-mail address</li> <li>• Agreements</li> <li>• Grievance and suggestions management mechanism (IT application, claims book, etc.)</li> <li>• Meetings with representatives of groups of citizens with a vested interest in rail infrastructure management in their towns</li> <li>• Website communication inbox</li> <li>• Social media</li> <li>• Adif AV app (real-time information about the status of the network and timetables)</li> </ul>
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>• Communication via e-mail and phone</li> <li>• Collaboration agreements</li> <li>• Electronic tender portal</li> </ul>
<b>BUSINESS PARTNERS AND ALLIES</b>	<ul style="list-style-type: none"> <li>• Sector-specific agreements and collaborations</li> <li>• General and European assemblies, international delegations</li> <li>• Expert events and forums</li> <li>• E-mail and phone communication</li> </ul>
<b>SOCIETY</b> (citizens, associations, NGOs, European and international organisations)**	<ul style="list-style-type: none"> <li>• Adif AV's annual reports and other publications</li> <li>• Ongoing provision of information to the public via the media</li> <li>• Website communication</li> <li>• Social media</li> <li>• Transparency Portal</li> </ul>
<b>EMPLOYEES ***</b>	<ul style="list-style-type: none"> <li>• Corporate employee portal</li> <li>• Committees on which Adif AV workers are represented</li> <li>• Surveys of workplace climate and engagement with Adif AV</li> <li>• Internal communication</li> <li>• Information about training courses</li> <li>• Suggestion box</li> <li>• Inbox for gathering suggestions about how to do things better</li> </ul>

(\*) For more information about the relationship with this stakeholder group, refer to the "Customer satisfaction" section

(\*\*) For more information about the relationship with this stakeholder group, refer to the "Citizens" section

(\*\*\*) For more information about the relationship with this stakeholder group, refer to the "Employees" section

## AGREEMENTS AND ARRANGEMENTS

### INDUSTRY AND BUSINESS ORGANISATIONS AND ASSOCIATIONS

To better achieve its objectives, in 2020 Adif AV compared the number of agreements and arrangements it has entered into with industry and business organisations and associations and those still in force:

Number of agreements and arrangements with industry and business organisations and associations IN FORCE	2018	2019	2020
Adif AV + others	34	40	33*
Adif + Adif AV + others	27	36	42
Adif + Adif AV	6	9	13

\* Decrease in the number of arrangements in force due to application of additional provision 8 of Law 40/2015, on public sector legal regimes

Number of agreements and arrangements with industry and business organisations and associations SIGNED	2018	2019	2020
Adif AV + others	9	6	2
Adif + Adif AV + others	11	9	8
Adif + Adif AV	1	3	3

The key performance indicators tracking Adif AV's effort to engage with its stakeholders in 2020 are summarised below:

Item	2018	2019	2020
No. of social media initiatives*	5,438	5,100	4,124
Percentage of enquiries responded to via the website*	100%	100%	100%
Events managed by Adif AV*	13	20	100%**
No. of initiatives carried out under the scope of the Strategic Communication Plan*	331	355	547
Percentage of media information enquiries answered*	100%	95%***	95%
Percentage of transparency-related claims admitted for processing by the Transparency and Governance Board*	7.56%	4.88%	1.28%

(\*) Adif + Adif AV indicator

(\*\*) The Events managed Adif AV indicator changed in 2020 and is now measured as a percentage

(\*\*\*) The Percentage of media information enquiries answered indicator changed in 2019 and shows responses within a week from receipt

Next, we briefly outline the relationship between Adif AV and some of its most important stakeholder groups:

## **PUBLIC AUTHORITIES AND EUROPEAN ORGANISATIONS**

Adif AV falls under the Ministry of Transport, Mobility and the Urban Agenda, which plays a dual role as regulator and investor. Accordingly, the Company is committed to maintaining an ongoing relationship based on transparency, framed by the effective and sustainable management of its activities. The relationship between Adif AV and the Ministry is channelled mainly through the Under-Secretary of State and the Secretary of State for Transport, Mobility and the Urban Agenda. However, it is also in continual contact with other entities that similarly fall under the Ministry, including the state-owned rail service provider, Renfe Operadora, and other ministries, such as the Ministry for Labour, Migrations and Social Security and the Ministry of Finance and Public Authorities.

Adif AV also engages with regulatory bodies such as the Spanish National Commission of Markets and Competition (CNMC), which oversees and ensures that the rail sector operates properly and that there is fair competition in the rail services market, especially the high-speed passenger travel market; the Court of Audit and the General State Controller, with whom its dealings are governed by prevailing legislation; and with other public bodies such as the State Ombudsman, the state attorney's office, certification bodies, the Spanish National Statistics Office (INE), universities and other public education centres with which Adif AV has collaboration agreements.

Adif AV is also in contact with, and participates in, a number of international organisations;

- **RNE (RailNet Europe)**: an umbrella organisation for European railway infrastructure managers and allocation bodies (IMs/ABs) set up for collaboration on the planning and management of rail capacity in international corridors and on quality and efficiency improvements. Website: <http://www.rne.eu/organisation/rne-approach-structur>
- **Network of One Stop Shops – OSS**: represents the infrastructure managers (IMs) in international traffic. They constitute as a single point of contact for the entire international route of a rail service, from the initial questions related to network access to international path requests and performance review after a train run. Website: <http://www.rne.eu/organisation/oss-c-oss/>
- **EIM (European Infrastructure Managers)**: this association encompasses the most important European rail infrastructure managers and represents the sector before the European Union's policy-making and legislative bodies; it also conducts studies in support of the modernisation of the rail sector.
- **UIC (International Union Railways)**: worldwide association promoting rail transport through technical projects, railway research and standardised solutions.
- **ERA (European Railway Agency)**: agency for the development of technical specifications aimed at interoperability and safety in which Adif AV participates through EIM.
- **European economic interest groups (EEIGs)**: for the development of cross-border projects related with international rail corridors and the Trans-European Transport Network (TEN-T).
- **PRIME**: a platform of European railway managers for the development of the Fourth Railway Package, established between DG MOVE and the IMs with a view to improving international cooperation among railway undertakings, supporting the implementation of a European railway policy, and exchanging best practices through performance benchmarking. Adif AV is participating in the elaboration of a universe of indicators that will enable oversight of the main activities and improved management.



## SUPPLIERS



Suppliers are a core element of Adif AV's business strategy. Supplier relations guaranteeing transparent tendering and legal certainty.

The contracting procedure is framed by applicable procurement legislation, which includes stringent selection criteria and articulates all procurement procedures around transparency-based management, factoring in all processes and possible incidents.

Each time it puts a tender out to call, Adif AV selects suppliers after they have certified their business and technical expertise and solvency, as well as certain social and environmental criteria, which are determined on a case-by-case basis.

Adif AV now largely uses electronic tendering as an essential tool in its contracting procedures.

## BUSINESS PARTNERS AND ALLIES

This stakeholder group encompasses all 21 entities with which Adif AV engages (e.g. subsidiaries and investees, foundations, associations, economic interest groups) and its partners in them.

A total of 13 joint ventures have been set up as a management instrument for developing joint operations in certain Spanish cities, since these companies are owned by local and regional governments, and state-owned enterprises attached to the Ministry for Transport, Mobility and the Urban Agenda (Adif, Adif AV and Renfe Operadora).

The governing bodies of the entities making up the Adif corporate group held 147 meetings, of which 50 (shareholder and board of director meetings) were with the integration JVs and 19 were with subsidiaries.

Through its involvement with these undertakings, Adif AV not only seeks to achieve the specific objectives included in their objects, but also enter into alliances with external firms and public bodies, which can take the form of arrangements, protocols, collaboration agreements, etc.

## 5.2. ESG Risk Rating



Framed by its operations in financial markets as a socially responsible issuer, Adif AV received its first Sustainalytics' ESG Risk Rating score in 2019, ranking atop the leader board in transport infrastructure -out of the 102 companies rated- and the road and rail subsector. It also ranked among the top 10 in scores of the 10,026 companies rated. Its rating was reviewed in 2020 but the score originally obtained by Adif AV was unchanged; it was the 12th highest rated among a total of 12,702 companies.

Implementing responsible investing policies guarantees long-term financial returns. Accordingly, socially responsible investing (SRI) can be addressed using different approaches: the "value" approach, underpinned by ethical or moral considerations; the "risk" approach, to enhance management of reputational, operational, financial and regulatory risk; the "return" approach, leveraging financial opportunities like the energy transition; or the "duty" approach, in line with the investor's fiduciary liability.

Adif AV carried out a new issue of green bonds in 2020, for €600 million, to finance or refinance projects that have positive environmental and/or climate benefits (see section 10.4). This was its

fourth green bond issue after those made in June 2017, April 2018 and April 2019, bringing the **total** amount issued to **€2.4 billion**.

The Corporate Finance and Control Department puts out a quarterly newsletter in English for socially responsible investors that includes information on Adif AV's environmental sustainability initiatives and projects, along with information on other socially responsible initiatives and projects. It also has a financial information section.

### 5.3. Health and safety

Safety, defined in the broadest sense of the word (train traffic, protection against crime and workplace safety), is one of the cornerstones of Adif AV's strategy and a core element of the corporate culture that inspires its decision-making. Safety management starts from the imperative of minimising potential risks to delivering high levels of safety across all aspects of rail infrastructure management and rail traffic. To deliver its corporate objective, the Company embraces its commitment to carrying out its activities safely and efficiently.

#### CORE ASPECTS OF ADIF'S SAFETY POLICY

- Ensuring the implementation and dissemination of the safety culture at all levels of the Company, underpinned by prevention, a proactive attitude and employee involvement.
- Managing the risks associated with the business and operations.
- Fostering a culture of trust, positive safety and continuous learning capable of galvanising all of the organisation's employees into contributing to the safety mission.

Thanks to this cross-cutting approach, the end-to-end safety culture is embedded at all levels of the Company, in all of its processes and at all of the parties that engage with it. It encompasses the safety of the infrastructure managed by the Company, the safety of the rail services than run over its infrastructure and the safety of the people who work at Adif AV, as well as external workers who have labour relations of any kind with the Company. Adif AV is currently immersed in a process of reinforcing its internal safety culture, a process that is prioritising risk analysis in relation to each area of activity, each process and each organisational change planned by the Company. Internally, the effort under way to reinforce the safety culture is tangible in the creation of the Corporate Safety, Processes and Systems Department.

In this manner, Adif AV focuses not only on improving rail traffic safety but also provides particular attention to preventing workplace accidents and helping keep its employees safe, carrying out a host of initiatives to that end. Lastly, in an increasingly digitalised world, cybersecurity is all the more important, both externally (vis-à-vis Adif AV's suppliers and customers that visit its website) and among its own employees.

At Adif AV, end-to-end safety is underpinned by the following cornerstones:

- **Safety and self-protection:** Improving the **safety and security of our facilities using new technologies**. Safety across the Company's infrastructure and facilities through implementation of the opportune systems and protocols in the event of incidents or emergencies, in collaboration with the competent public entities.
- **Rail traffic safety:** Control of risks inherent in rail traffic arising from the operations of Adif and other rail operators, thus fostering user trust in the network. Adif is also responsible for safety at Adif AV.
- **Workplace health and safety:** Our policy is to ensure the **utmost standards of safety and security**, for users and employees alike. We are committed to the health and safety

of our employees, collaborating with other firms to learn about and control the risks deriving from its interaction with contractors and suppliers or indeed anyone doing work for Adif on an ad-hoc long-term basis.

- **Cybersecurity:** We constantly strengthen *systems protection and security with new cybersecurity mechanisms*. This protects Adif's management and operational information systems against intrusion, attacks, unauthorised access and/or damage to the organisation's assets. On 22 July 2020, the high-speed railway infrastructure manager (Adif AV) fell victim to a computer attack by the REvil/Sodinokibi cyberorganisation. The attacker threatened to expose Company information and encrypted certain user files. The incident did not have any impact on the Company's operations or the rail infrastructure it manages. The systems supporting its economic and financial activities were also unaffected.

The outcome of the attack was merely the encryption of certain internal files, aside from the potential reputational damage and costs associated with the services and supplies required to bring the situation back to normal. According to a report sent by the Company's Internal Audit Department to the Spanish Data Protection Agency, the amount and relevance of the information were not important.

Adif AV, as operator of critical infrastructure and essential services, has been kept informed from the outset by the competent bodies (CCN-Cert and CNPIC), in line with the procedures in place. It also submitted the appropriate reports to the Spanish national police force's central cybercrime unit.

Cyberattacks on the public sector have risen sharply over the past year and the highly sophisticated technology used poses an increasing threat to companies. Adif AV has drawn up an action plan to mitigate these risks which includes implementing new security measures to reinforce existing ones and further strengthen the protection of the perimeter and IT environments with a view to achieving higher security levels and enhancing its response to new cyberattacks.

- **Environmental safety:** We enhance *environmental protection by augmenting and improving our preventive measures*.



### 5.3.1. Safety and self-protection

The safety and self-protection front refers to the work performed by Adif AV to guarantee citizen safety, business continuity and safeguarding assets against security threats and in emergency

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situations. The aim is to create a response system capable of absorbing the impact of a threat without undermining operating capacity.

A number of actions were taken in 2020. The most noteworthy are highlighted below:

### SAFETY

- Submission of 122 administrative complaints and 325 criminal complaints
- Performance of 1,183 safety inspections and 55 extraordinary interventions
- 1,036 assistances provided to individuals
- 125 assistances provided in accidents
- Recovery of 1,433 items of lost property
- Detection of 15,314 banned objects in luggage security controls
- Score of 39.41 out of 45 in the assessment of the security services

### SELF-PROTECTION AND EMERGENCIES

- 29 self-protection plans carried out
- 43 drills performed
- 71 inspections of protective assets and facilities
- 143 training days for internal and external staff, with 1,702 participants

### TECHNICAL AREA

- Completion of one station protection and safety installation project and documentation of 55 others

There were 42 crimes with an impact on activity in 2020, 58% fewer than in 2019, extending the steady downward trend in the number of crimes in recent years.

In 2020, **143 courses** were carried out (Adif + Adif AV) and **43 drills** (Adif AV).

KPI description		Unit	2018	2019	2020	Targets for 2020
DISCLOSURES ON OUR PERFORMANCE WITHIN SOCIETY AND ON PRODUCT LIABILITY	Score for the provision of the surveillance and security services	points/45	39.46	37.55	39.41	> 35
	Deliberate attacks on critical infrastructure	No.	22	9	17	≤ 25
	Emergency situations covered by the Self-Protection Plan	%	100	100	100	≥90%
	Crimes with an impact on activities	No.	252	101	42	≤ 200

Adif AV's designation as a critical operator by the Secretary of State for Security in the Railway Subsector and in the Urban and Metropolitan Transport Subsector means it is legally obliged to prepare an operator security plan (OSP) for the operator and a specific protection plan (SPP) for each infrastructure designated as critical, and to review these documents regularly, within the established period.

Adif AV as critical operator complied with this legal obligation in 2020. Specifically, it reviewed the Adif AV OSP, which was approved by the Secretary of State for Security, and prepared the seven SSPs outstanding for the rest of the critical infrastructures.

Preparation of the documents was completed and all existing versions were reviewed promptly.

### **5.3.2. Rail traffic safety**

The operation and maintenance of the infrastructure owned by Adif AV has been entrusted to Adif via the agreement entered into between the two entities to that end.

Directive 2004/49/EC established a common regulatory framework for railway safety, harmonising the content of safety standards, safety certification of railway undertakings, the tasks and roles of the safety authorities and the investigation of accidents.

Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety substantially amending Directive 2004/49/EC of the European Parliament and of the Council considers that the main actors in the Union railway system, infrastructure managers and railway undertakings, should bear full responsibility for the safety of the system, each for their own part. Whenever appropriate, they should cooperate in implementing risk control measures.

Railway safety should be generally maintained and, when practicable, continuously improved, taking into account technical and scientific progress, and the impact of human and organisational factors.

Accordingly, the Traffic Safety Management System (TSMS) is an essential part of the safety management system, providing, *inter alia*, procedures for managing safety, the distribution of responsibilities, risk assessment and management, aspects related to human factors, promoting a safety culture of mutual confidence and learning, and mechanisms to disseminate information.

Everyone must view traffic safety management as a cross-cutting function touching all Company departments and an essential need that can only be ensured if everyone individually and collectively give their best in their day-to-day work, and by promoting initiatives aimed at achieving this single objective.

Publication of the Guidelines for the Railway Traffic Safety Policy and Management reinforces the Company's internal commitment to the national and European regulatory framework by outlining the criteria and organisational standards for managing traffic safety and strengthening the Traffic Safety Management System.

The purpose of the guidelines is to promote full awareness, at all levels of action and in all services, of the priority to strengthen the foundations for railway traffic safety management within Adif AV, mainstreaming the core principles of the safety policy and the positive safety culture throughout the organisation predicated on risk prevention and management, proactivity and employee engagement.

In fulfilling their responsibilities, Adif and Adif AV identify the core elements underpinning traffic safety; i.e. people, technology applied to installations, infrastructure, rolling stock, and technical and regulatory standards.

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The safety policy includes a variety of tools, including the application of a proprietary traffic safety management system based on prevention, continuous improvement and the implementation of corrective measures. Supports include management based on employee responsibilities and competences, continuous training, participation, information and awareness, as core elements for guaranteeing the oversight of railway safety.

In this vein, the **Annual Traffic Safety Plan** was drawn up and approved by the Operational Safety General Committee to foster compliance with Adif' and Adif AV's safety policy and objectives.

This plan is a safety approach that aims to continuously improve the levels of safety at Adif and Adif AV, combining programmes and initiatives that facilitate the achievement of the objectives and indicators included therein.

It also brings together and outlines the safety and oversight action programmes and targets, and all the actions carried out by Adif's corporate departments and specialist business areas.



Security surveillance is performed through two groups of activities entrusted to Adif:

- **Level 1 surveillance:** proximity control and early detection actions on applying employee and process safety standards.
- **Level 2 surveillance:** inspections aimed at verifying, through observation and analysis, compliance with the regulations and safety requirements applicable to operations, elements and conditions related to train traffic safety and shunting.

### Noteworthy initiatives in traffic safety arena

#### SAFETY OVERSIGHT INITIATIVES AT ADIF AV

Adif carries out oversight initiatives to verify the application of, and compliance with, the regulations applicable to its activities and operations, and ensure safety in traffic on the General Interest Rail Network (RFIG) managed by Adif and Adif AV.

In 2020, 205 inspections of the RFIG managed by Adif AV were carried out, including those provided by Adif.

### RAIL TRANSPORT CONTROL INITIATIVES

Systematic actions are in place for rail traffic control to detect risky situations in the transit of freight and passenger trains and verify compliance with the rules established regarding train composition (towed material), loads and documentation.

In 2020, a total of 27,262 carriages were weighed for the RFIG managed by Adif and Adif AV.

Under the scope of the Traffic Safety Plan, 5,386 visual inspections were scheduled for trains running on the RFIG managed by Adif and Adif AV, with 6,876 ultimately carried out.

### OPERATION CONTROL INITIATIVES

These are Adif/Adif AV scheduled level 1 operational control actions aimed at verifying compliance with existing technical operating standards and performance condition and maintenance checks of the fixed installations and rolling stock whose maintenance and conservation is allocated or entrusted for shunting.

Voice recordings at command posts and remote traffic and energy control cabinets enable Adif AV to check compliance with traffic safety rules, detect any non-compliance with operating rules and adopt corrective and preventive measures as required. In 2020, a total of 527 voice recordings were made in Adif AV's RFIG.

"Safety visits are designed to reduce the incidence of risk as a result of failure to comply with traffic-related processes and tasks. In 2020, a total of 275 safety visits were made in Adif AV's RFIG."

### FOSTERING A CULTURE OF SAFETY IN SERVICE OPERATION

One of the most important thrusts of safety efforts is the training provided, along with the efforts to award, expand, maintain and renew specific qualifications.

In 2020, the driving licenses of 717 Adif and Adif AV employees were maintained and 11,744 qualifications were awarded to staff involved in safety activities at Adif, Adif AV and external firms, in keeping with prevailing regulatory requirements. In addition, 869 candidates of external firms seeking qualifications were tested for their theoretical knowledge and 836 for their practical knowledge during the year.

Meanwhile, initiatives were rolled out entailing diagnosis, human and organisational factors, leadership and just culture framed in the "SIGMA" safety culture transformation project carried out in cooperation with the ERA (EU Agency for Railways).

There were no traffic accidents on the RFIG managed by Adif AV with victims in 2020. The following table sets out the key metrics:

	2018	2019	2020
No. of traffic accidents	0	3	0
Men killed	0	0	0
Men seriously injured	0	2	0
Women killed	0	0	0
Women seriously injured	0	1	0



## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Total no. of victims (killed and seriously injured)	0	3	0
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Different management-employee **traffic safety management bodies in the traffic safety arena are set up as tools for overseeing and controlling the safety of operating activities** with the aim of ensuring that all staff in the organisation is on board, directly or through their representatives, and that traffic safety improves continuously.

These bodies are created based on their area of action and the scope of their functions: the Central Traffic Safety Technical Committee, the Traffic Safety Operational Committees of the Corporate Departments, and the Regional Traffic Safety Technical Committees. Those committees met **46 times** in 2020.

Adif AV also participates actively in a number of forums in Spain and abroad where it shares its experience in traffic safety matters.

### 5.3.3. Workplace health and safety

Employee health and safety is of vital importance to Adif AV and one of its strategic objectives. To that end it works daily to safeguard Adif AV's position as a benchmark in the sector for its low accident rates, framed by a tireless commitment to prevention.

Adif AV's workplace health and safety effort is described in further detail in section 5.6.4. Employees – Workplace health and safety.

### 5.3.4. Cybersecurity

The Sub-Department of Information Security falls under the Corporate Safety, Processes and Systems Department and is tasked with all matters related with cybersecurity at the Company as a whole.

The 2030 Strategic Plan included the cybersecurity strategic objectives under the Safety Pillar, namely "Protecting the IT and OT systems against intrusions and assaults and minimising the impact of any that do occur.

Cybersecurity is one of the most pressing concerns of public and private enterprises all around the world. The Spanish public sector systems are increasingly exposed to security incidents. Cyberattacks are easy to perpetrate and highly viral. Moreover, the fallout from a cyberattack is particularly relevant in the rail sector: rail infrastructure managers are defined as critical operators in prevailing legislation.

Against that backdrop, cybersecurity is a crucial aspect of safety at Adif AV and part of one of its strategic pillars, the ultimate goal being to protect its IT systems against intrusions and assaults and minimising the impact of any that do occur.

The rail sector has become hyperconnected in just a few short years, introducing a new and ever-shifting universe of risk factors. As a result, Adif AV's strategic objective is to guarantee the integrity, availability and confidentiality of the organisation's information and of the systems,



communication infrastructure and technologies that support the various business processes. Teamwork in all areas is crucial to delivery of this target.

#### COMPREHENSIVE IT SYSTEM SECURITY PLAN

The so-called **Comprehensive IT System Security Plan** came about with the goal of defining an end-to-end corporate IT security management model, setting the foundations for a continuous improvement process capable of guaranteeing the safety of the organisation's information and of the systems, communication infrastructure and technologies that support its various services.

The Plan encompasses the IT and OT systems that support Adif AV's business and are highly heterogeneous in nature. Adif AV has set up a management committee, a technical committee and operational task force to oversee and control the project, each of which is responsible for identifying the assets and developing, supervising and approving the actions designed to deliver the Plan's targets. The Company's IT risks have also been analysed to identify vulnerabilities and the Company's level of maturity, establishing action plans to mitigate the related risks.

In 2020, the contract to protect Spain's railway infrastructure from cyberattacks was implemented, providing service and support to the two main areas: the GRC (Governance, Risk and Compliance) and the Operations and SOC (Security Operations Centre) areas.

In 2020, Isabel Pardo de Vera, the Chairwoman of Adif and Adif AV, signed the new **Security**

**Guidelines** issued to address the legal obligations of the national and European information security regulatory frameworks and the provisions in internal rules on cybersecurity rooted in legislation for all of Adif. The objective was to strengthen and broaden the foundation for managing information security within the organisation.

On 22 July 2020, the high-speed railway infrastructure manager (Adif AV) fell victim to a computer attack by the REvil/Sodinokibi cyberorganisation. The attacker threatened to expose Company information and encrypted certain user files. The incident did not have any impact on the Company's operations or the rail infrastructure it manages. The systems supporting its economic and financial activities were also unaffected.

The outcome of the attack was merely the encryption of certain internal files, aside from the potential reputational damage and costs associated with the services and supplies required to bring the situation back to normal. According to a report sent by the Company's Internal Audit Department to the Spanish Data Protection Agency, the amount and relevance of the information were not important.

Adif AV, as operator of critical infrastructure and essential services, has been kept informed from the outset by the competent bodies (CCN-Cert and CNPIC), in line with the procedures in place. It also submitted the appropriate reports to the Spanish national police force's central cybercrime unit.

Cyberattacks on the public sector have risen sharply over the past year and the highly sophisticated technology used poses an increasing threat to companies. Adif AV has drawn up an action plan to mitigate these risks which includes implementing new security measures to reinforce existing ones and further strengthen the protection of the perimeter and IT environments with a view to achieving higher security levels and enhancing its response to new cyberattacks.



In 2021, the business areas will execute the treatment plans derived from the risk assessments and must start allocating specific cybersecurity budget items that effectively implement the governance model and provide leverage to increase maturity, and effectively implement cybersecurity.

Major challenges lie ahead for 2021, such as: adapting to changes in national and international laws; effectively implementing and managing cybersecurity in business areas through allocations to specific budget items; planning National Security Scheme (NSS) compliance checks of critical systems; and expanding ADIF's GRC and SOC capabilities to provide the right drivers and tools for the Company's comprehensive cybersecurity management with an appropriate level of risk and maturity. This will depend largely on an IT environment that is changing constantly and ever more quickly.

## 5.4. Service improvements

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In order to carry out its duties to the highest standards of quality, Adif AV boasts a highly qualified team and the technical resources necessary to carry out its construction, maintenance and operation activities. Specifically, the Company works to:

- Ensure traffic safety in coordination with other entities with safety-related duties.
- Embed efficiency and sustainability criteria from an economic and environmental perspective into the planning, design, construction and maintenance of rail infrastructure with the ultimate aim of ensuring the highest levels of safety, reliability and availability possible.
- Ensure service quality and facility reliability, while optimising maintenance costs in parallel.
- Guarantee operators infrastructure availability on the best terms.
- Foster the development of new rail infrastructure management technology applicable to new builds and existing assets.
- Guarantee the reliability of the level-crossing protection facilities, planning and executing safety upgrades.

Adif AV was granted the 500+ Seal of Excellence by EFQM (European Foundation for Quality Management) and is also certified under the ISO 9001 "Quality", ISO 14001 "Environment", ISO 166002 "R&D" and ISO 27001 "IT Security".

Those **certifications** have the following **scope**:

### **Standard: ISO 9001**

- Management of the construction, maintenance and operation of the general interest rail network (RFIG)
- Management of the construction, maintenance and operation of the high-speed rail network comprising the RFIG.

### *Centres of operation:*

Adif AV's overall footprint is described in detail in chapter 3 of the Adif and Adif AV network statements and their annexes and maps.

### **Standard: ISO 14001**

- Control and oversight of compliance with the environmental conditions set down in Adif AV's environmental impact statements, its environmental oversight plans and the requirements applicable to its rail infrastructure and facility construction activities.
- Management and coordination of research studies and projects related with rail infrastructure and facilities.

### **Standard: ISO 27001**

- The information systems supporting the operating service of Adif's Information Systems and Technology Department in accordance with the applicable statement in force.

### **Standard: UNE 166002**

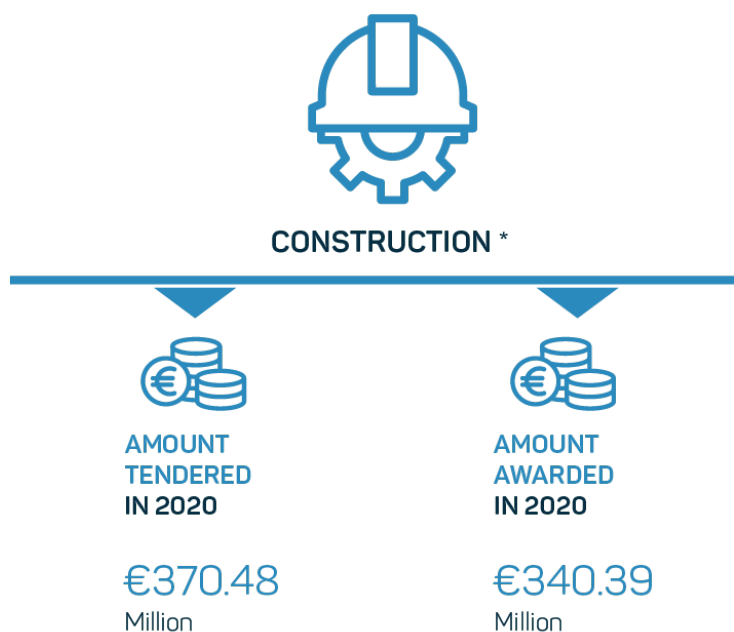
- Research, development and innovation in railway technology.

### **5.4.1. Construction**

Spain has had high-speed rail for over 25 years now and boasts one of the world's most modern and advanced high-speed railways. This infrastructure has led to development, improving the country's structure and the quality of people's lives.

Adif AV's current strategy still targets territorial structuring and social cohesion, using the European funds granted for projects currently in progress and completing them.

Adif AV spent €1,272.57 million (including VAT) of its investment budget in 2020, of which €1,062.54 million was earmarked for the construction of new lines and the remaining €210.03 million for replacement and upgrade of assets in operation.



*\* Amounts excluding VAT.*

## KEY CONSTRUCTION AND INFRASTRUCTURE UPGRADE ACTIVITIES

Current status of some of Adif AV's largest construction projects:

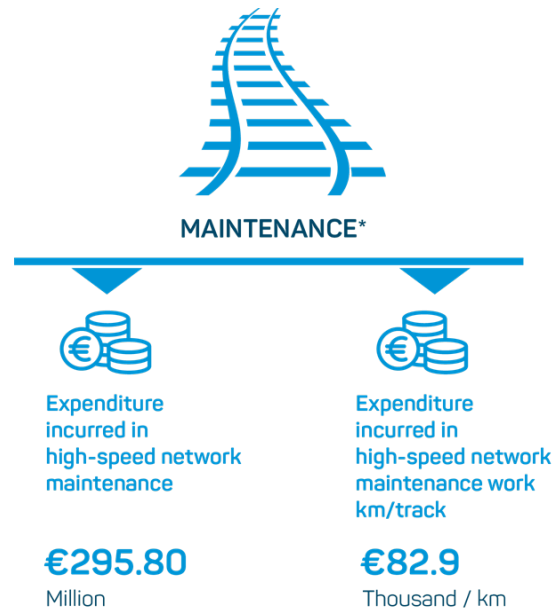
- Vitoria-Bilbao-San Sebastián high-speed line: work is still under way on the platform for the Vitoria-Bilbao branch line, which comprises 19 sections (including the Bergara Junction), of which 11 are now complete. Platform work on the Bergara-Astigarraga branch line is nearly complete; of the line's 17 sections, 16 are complete. Work is being carried out on drafting superstructure, energy and installation projects, along with the development of the informative studies for the integration of high-speed lines in cities (Bilbao and Vitoria).
- Galicia high-speed line: the Zamora-Pedralba de la Pradería section and the Level 2 ERTMS 2 system between Chamartín - Olmedo - Zamora and Pedralba have been put into service.
- All the platform work on the Pedralba de la Pradería – Taboadela section has been completed and work on track assembly, electrification, civil protection and telecommunications is being completed.
- Track assembly, electrification, signalling and telecommunications works on the Taboadela - Orense section are still under way.
- The Construction Department, in cooperation with the Sub-Department of Track Assembly and Supplies, has performed additional work on prefabricated slab tracks, driving R&D.
- León-Asturias high-speed line (Pajares bypass): work continued in 2020 on electrification, civil protection, energy, and safety and communications installations.
- Madrid-Extremadura high-speed line: Platform work has been completed and track assembly, electrification and signalling begun on the Plasencia-Cáceres-Badajoz. Platform work on Mérida bypass and architectural works at the Cáceres, Mérida, Plasencia and Badajoz stations have begun.
- The electronic interlocking systems of the Mérida-Badajoz and Cáceres sections was put into service in 2020, including sensors for falling objects in overpasses and signal closings in the event of alarms to prevent accidents due to crashes of vehicles.
- The interlocking systems of the Madrid-Valencia-Albacete high-speed line have added an alarm-based signal closing feature using sensors of falling objects to avoid accidents due to crashes of vehicles falling onto the track.
- The Chamartín-Atocha-Torrejón de Velasco high-speed section has been made available for testing and ERTMS and LZB system tests have begun. This section will connect northern high-speed lines with the rest of the high-speed network, resulting in significantly shorter travel times and permeability between all high-speed lines for railway operators.
- The double high-speed track between Río Duero and Valladolid was commissioned in 2020, eliminating the remaining single-track section between Madrid and Valladolid and improving consequent improvement in regularity and punctuality.
- Almería-Murcia high-speed line: platform works were completed on four sections between Vera and Los Arejos and a boost was given to another 10 platform sections (via project drafting and works execution contracting).
- Mediterranean corridor: the Tarragona-Vandellós section was put into service in early 2020, with electrified double track and equipped with ERTMS Level 1, considerably reducing travel times between Valencia and Barcelona. Work on the connection between Valencia and La Encina to complete a new Iberian gauge connection between Mogente and La Encina is still ongoing. This will eventually provide a standard gauge connection for the Valencia-Alicante high-speed line. The Monforte del Cid-Beniel section, which will serve the new Elche AV and Orihuela stations, is in the final testing stage and will be put into service soon. This marks a further step towards bring the high-speed rail network to Murcia since the only section left to be completed is Beniel-Murcia.
- Work on the Sagrera station as Barcelona's main station in future and arrival point for many high-speed trains is proceeding. The Mataró corridor's passage through this station has been put into service.

## 5.4.2. Maintenance

To maintain the infrastructures it owns, Adif AV gears its human and technical resources towards activities that add the greatest value, optimising preventive maintenance, managing inspection activities more efficiently and reducing incidents. This way, Adif AV can offer maximum availability of railway facilities to transport operators.

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Total expenditure on high-speed network maintenance was €295.80 million in 2020 (excluding VAT).



\* Amounts excluding VAT

### KEY SAFETY ACTIVITIES

- On the Cáceres-Badajoz high-speed line: all telecommunications works were completed.
- On the Olmedo-Zamora-Lubián-Orense high-speed line: practically all telecommunications works were completed. The line to Pedralba was put into service.
- On the Chamartín-Atocha high-speed line: all telecommunications works were completed.
- On the Monforte del Cid-Murcia high-speed line: practically all telecommunications works were completed. On the commissioning agency for the section to Beniel: ensuing stages of burial began.
- On the Valladolid-Burgos high-speed line: all telecommunications works were completed.
- On the Vandellós-Tarragona high-speed line: all telecommunications works were completed and put into service.
- On the León-Asturias high-speed line: installation works adapted to new operating requirements continued on the La Robla-Pola de Lena section (Pajares bypass) and works for the León-La Robla section were put out to tender.

## KEY ENERGY ACTIVITIES

Adif AV managed 3,431 electricity supply points in 2020, with incoming energy consumption of 2.234 TWh.

This represented 98.5% of consumption and corresponded to a total of 1,281 supply points equipped with telemetering systems, giving following average costs:

Energy cost: €54.71/MWh

TPA cost: €41.93/MWh

Total cost of MWh consumed: €96.64/MWh

The remaining 2,150 supply points, which represented 1.5% of consumption, corresponded to low voltage supply points with extremely low consumption demands and not equipped with telemetering systems. The total cost (energy and TPA) for these was €164.97/MWh).

All electricity supply at both points equipped with a remote metering system and those without had renewable guarantees of origin (GoO) in 2020.

Further progress was made in 2020 on obtaining resolutions for the economic recognition of compensation for surplus train braking energy returned to the grid in the UIC network from the Ministry for the Ecological Transition and the Demographic Challenge. In October 2020, authorisation was issued for nine substations corresponding to the Madrid-Toledo-Seville lines, for which netting began on 1 December 2020 (1 January 2021 for the Getafe-El Hornillo line). With these nine authorised substations, there are now 45 UIC substations compensating for the energy discharged by the braking of railway compositions. Compensation for discharging energy to the UIC grid in 2020 resulted in €2.63 million of savings (excluding VAT) for the compensation for 38.4 GWh of discharged energy.

In 2020, invoicing with suppliers (retailers and distributors) for virtually all TPA contracts was processed using the exchange procedure between retailers and distributors established by the CNMC. Adif AV was the first consumer to implement this invoicing system, with three distributors at the end of 2018. By the end of 2020, it had achieved end-to-end management of all contracts with over 20 of its suppliers/distributors. Technical checks were performed on a total of 102,570 bills in 2020, representing estimated revenue of nearly €282.3 million (excluding VAT).

Under the current liberalisation framework, in 2020 the Sub-Department of Energy Management awarded the "Establishment of the Billing Methodology for the Complementary Service for Traction Current Supply in the Adif and Adif AV Network" contract to comply with criteria of transparency and non-discrimination. This will define the billing methodology for the complementary traction current supply service in an auditable, transparent and non-discriminatory manner. In the second half of 2020, the billing methodology for AC lines was developed, introducing the possibility of on-board measurement as the billing unit. Train braking energy was also added to the balance sheet. This development in operator billing, the inclusion of braking energy in the balance and the possibility of on-board measurement will be introduced in the 2021 Network Statement, once the billing method is finalised and mainstreamed.

### KEY ENERGY ACTIVITIES

The following milestones set out in Commission Implementing Regulation (EU) 2018/868 of 13 June 2018 as regards provisions on energy measuring system and data collecting have been achieved:

- On-board energy measurement. Communication protocol: Adif published Standard NAT 760 "Communication of on-board energy measurement" in January 2020. This standard defines the communications between an EMS (On-board Energy Measurement System) registered with Adif and the Adif's DCS (Ground Measurement Concentrator) according to the EN 50463-4:2017 standard (UNE-EN 50463-4:2018 Spanish version)
- Procedure for applying for the billing for complementary traction using on-board measurement. Over the course of 2020, work was done to develop the procedure required of operators wishing to apply for billing with on-board energy measurement, and the technical requirements and documentation to be submitted for the measurement equipment installed in traction units they wish to add to this method of billing.
- On-board energy measurement concentrator. In 2020, the technical specifications for the tender of an on-board energy measurement concentrator in accordance with the EN 50463-4:2017 and NAT 760 standards were prepared. The Technological Transformation Department will be launching this tender, presumably in January 2021.
- During 2020, testing began on the EREX energy consumption billing system based on the on-board energy measurement of traction units. EREX is owned by ERESS, an organisation of which Adif became a partner on 1 January 2020. ERESS is a non-profit organisation that has developed a reliable, flexible, efficient and accurate energy settlement system for European railways.
- Work began on developing the technical specifications for a metering management tool for billing traction energy to operators in 2020 that could process both GTK (gross tonne kilometres), which is the current unit of measurement for energy billing, and the future on-board energy measurement collected by the meters installed in the traction units.

### KEY TELECOMMUNICATIONS ACTIVITIES

Adif AV manages telecommunications infrastructure in the form of a fibre-optic network that overlays the railway network. The system supports operation of the railways themselves; moreover, capacity is optimised by offering any excess to outside operators.

It also oversees management of the electricity consumed by Adif and Adif AV and the energy for traction and other uses consumed by Renfe Operadora and any other operators that use electric traction material in freight transport. In addition, it advises on and oversees energy efficiency actions undertaken by Adif and Adif AV.

#### **FIBRE NETWORK**

In 2020, we continued to offer billing and commercial reporting support services, develop the 'Plan Renove' (renewal plan) and provide professional services.

Additional revenue for Adif AV arising from work on the Reintel project amounted to €331,805.93. Recurring revenue totalled €415,927.95.

For Plan Renove, €601,000 was certified for the following initiatives:

- Commissioning of the new fibre optic cable Sevilla-Escacena (underground).
- Reinforcement of the Cambrils-Port Aventura cable.
- Refurbishment and upgrade of telecommunications assets and technical premises in Ciudad Real, Gijón, Badajoz, Mérida, Benicarló, Castellón, Valencia Fuente de San Luis, Manresa, Alar del Rey, Burgos, Pancorbo and Quintana del Puente.

### **5.4.3. Rail infrastructure operation**

For operation of the infrastructure owned by Adif AV, Adif is tasked with managing rail network traffic, adjudicating capacity to the rail operators and new candidates, directing and coordinating traffic and programming and verifying facilities.

#### **Rail traffic planning and management**

Adif AV currently has the following resources for planning and managing network rail traffic:

- One capacity adjudication department
- 22 command and control centres (18 in the conventional network and four in the high-speed network)
- One 24h network management centre
- Traffic offices
- Roaming traffic services

Adjudication of capacity to the rail operators and management of the running of their trains, 24 hours a day and 365 days a year, is oriented toward satisfying those providers' needs, framed by non-discriminatory treatment and a pledge to ensure safe train traffic underpinned by network utilisation optimisation criteria.

#### **24H NETWORK MANAGEMENT CENTRE**

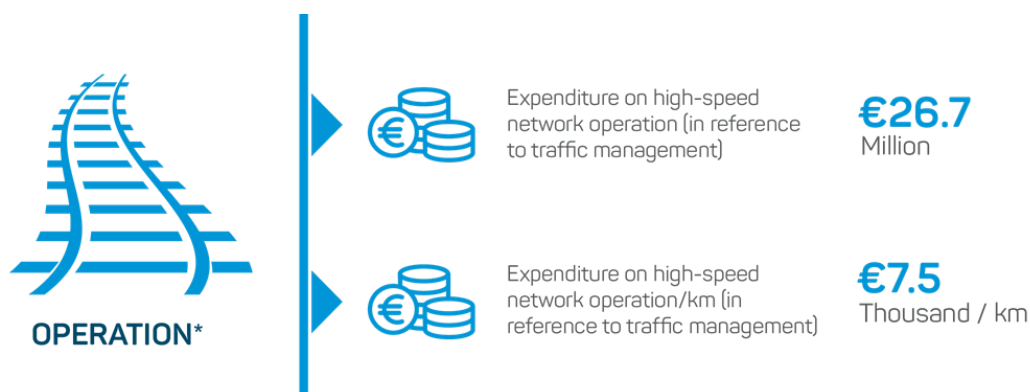
This centre, which operates 24/7, leads and coordinates the territorial traffic areas. It is the main liaison between Adif's maintenance and construction areas and railway operators to ensure that the temporary capacity restrictions generated by Adif in the RFIG are compatible with the operators' needs, and to resolve any contingencies that may disrupt the normal development of the Transport Plan and the scheduled execution of works and infrastructure projects quickly.

Working there are representatives from the Company's communication and other business areas to coordinate actions and share information in real time.

The centre shares IS tools with all Traffic areas and any others involved in rail traffic to perform its management and control functions.



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\* Amounts excluding VAT

Adif carries out the significant traffic management tasks and also adjudicates capacity for the network owned by Adif AV.

The length of the network whose management is entrusted to Adif AV is 3,622km\*, broken down as follows:

Figures in km/line (at December 31)	2018	2019	2020
<b>Total network under management</b>	3,300	3,456	3,622
<b>High-speed standard-gauge network (UIC)</b>	2,514	2,619	2,782

\* The network grew with respect to the previous year due to the recent entry into service of the Zamora - Pedralba de la Pradería section of the Galicia high-speed railway, and the Murcia - Beniel fork, which brings high-speed rail to the Region of Murcia: it is included in this report because it is expected to enter service by the beginning of 2021.

The key performance indicators for the volume of traffic managed by Adif AV are the following:

	2018	2019	2020
<b>Average daily traffic (no. of trains)</b>	845	952	691
<b>Total traffic</b>	308,390	347,480	252,998
<b>Train-km (daily average)</b>	162,333	169,503	104,897
<b>Train-km (total)</b>	59,251,500	61,868,768	38,392,375

Traffic on the general interest railway network (RFIG) managed by Adif and Adif AV decreased over the course of 2020 due to the restrictions on mobility caused by the COVID-19 pandemic.

Total traffic managed by Adif AV (including internal services) was 38,392,375 train-kilometres, down 38% from the year before due to the performance of passenger services, which fell 40% year-on-year to 35,311,079 train-kilometres. This was because barely over 50% of long-distance services on high speed, which are the largest contributor for Adif AV, were offered from June.

### Station management

Station management is a fundamental aspect of rail transport development as it is via these facilities that Adif AV rounds out the quality of the service it provides passengers, rail operators and business operators. The design, construction, maintenance and operation of rail stations is framed by comprehensive sustainability criteria (innovation, safety, efficiency, intermodal exchange, accessibility etc.). Station management contemplates the entire life cycle of these facilities and the provision of high-quality services, factoring in:

- The correct working and sizing of the facilities (cleaning, maintenance, conservation, temperature control, etc.).

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- The creation of safe environments.
- A commercial offering tailored to the needs of station users and the city itself.
- The right level of information in relation to the station and the services on offer, in Spanish and, as relevant, in the co-official languages of the various regions.

Adif AV managed 42 stations in 2020

### Liberalisation of passenger transport

Every effort possible to liberalise passenger transport was made in 2020 to deliver the commitments made by December this year. To provide entry by new transport operators to the passenger rail transport market, Adif AV offered commercial services at its passenger stations in accordance with the Services Catalogue included in its Network Statement after carefully assessing each operator's specific needs and the stations' real possibilities of meeting them efficiently, transparently and on an equal footing. Listed in the table below are the services offered. Their individual descriptions, terms, etc. are set out in the respective fact sheets.

SERVICES	NAME	PROVIDER
BASIC	<b>SB-1</b> Commercial services or other operations at train stations with platforms and on tracks	ADIF AV
	<b>SB-5</b> Access to buildings and platforms at passenger transport stations for passenger use	ADIF AV
	<b>SB-6</b> Travel information	ADIF AV
	<b>SB-7</b> Ticket sales and information	Self-service
	<b>SB-8</b> Ticket sales and information through self-service machines	Self-service
	<b>SB-9</b> On-board personnel	Self-service
	<b>SB-10</b> PRM assistance at stations	ADIF AV
ANCILLARY	<b>SX-4</b> Ad-hoc information and service	Self-service
	<b>SX-5</b> Mobile equipment storage on platforms	Self-service
	<b>SX-6</b> Platform access control	Self-service
	<b>SX-7</b> Last-minute attention	Self-service
	<b>SX-8</b> Unmanned locker room for operational staff	ADIF AV
	<b>SX-9</b> Lost object management	ADIF AV
	<b>SX-10</b> VIP rooms	Self-service or ADIF AV
	<b>SX-11</b> On-board service loading and unloading logistics	Self-service or third party
	<b>SX-12</b> PRM assistance for getting on or off trains	ADIF AV

\* To date, the SX-10 and SX-11 services were only self-service.

Railway undertakings may request SB-1 and SB-5 services according to the Network Statement, and the rest through the *Requests for access to service facilities and rail transport-related services at Passenger Stations* procedure.

Railway undertaking have already submitted requests under the framework agreement, which have been addressed, and requests related to the 2021 service timetable, which are currently being processed.

## Digital transformation of stations

The **Master Plan for the Digital Transformation of Passenger Stations** was drafted in 2018 and roll-out of the Digital Transformation Office (DTO) began in 2019. In 2020, further efforts were made for continuous improvement in its management processes, with regular meetings held by the Strategic and Technical Committees. During the year, 23 initiatives were under way. These included initiatives related to the liberalisation of the railway sector; e.g. control of boarding area access or the projection of information related to the placement of train carriages along the platform, enabling passengers to board faster.

Other initiatives being drawn up or carried out included the **Neural Station Centre**; the development of a **CRM** system to facilitate customer relationship management; the **Adif Space** to connect users and Adif, the installation of new digital information formats, lost objects management; and the implementation of a smart station platform through a pilot project in Malaga.

Other initiatives coordinated under the plan include the evolution of the Elcano platform, a strategic IT pillar to which other plan initiatives (e.g. Adif Space content management, new digital formats, information needed for the carriage on platform project) are related. There is also a pilot initiative championed by RED.es for smart buildings, which will enable Adif AV to exchange information between some of its stations and local city councils.

## Milestones in 2020

Other initiatives pursued in 2020:

- Related to the **VIALIA Estación de Vigo shopping centre**:
  - Construction of the VIALIA Estación de Vigo shopping centre by the tender winner, CEETRUS, was still in progress. The shopping centre inside the railway station boasts 35,000 square metres of profitable space and has become a hallmark of the city of Vigo.
  - An addendum to the agreement on accesses and new urban roads in the area surrounding the Vigo intermodal station was passed in July and work on access from the AP9 motorway began in the last quarter of 2020.
  - The three public authorities also greenlighted the projects for the station square and the development of interstitial spaces in addition to the access works also covered by the addendum. Urban development work began in the year's fourth quarter and the project for the square was awarded in December.
  - Construction of the bus station by the Galicia regional government (Xunta) continued in 2020.

The various companies and authorities involved worked together during the year to achieve the objectives set and minimise the delays caused by the COVID-19 health crisis on execution of the project, which is expected to be completed in the second half of 2021.

- **Commercial actions:**
  - **New commercial operating model in stations**

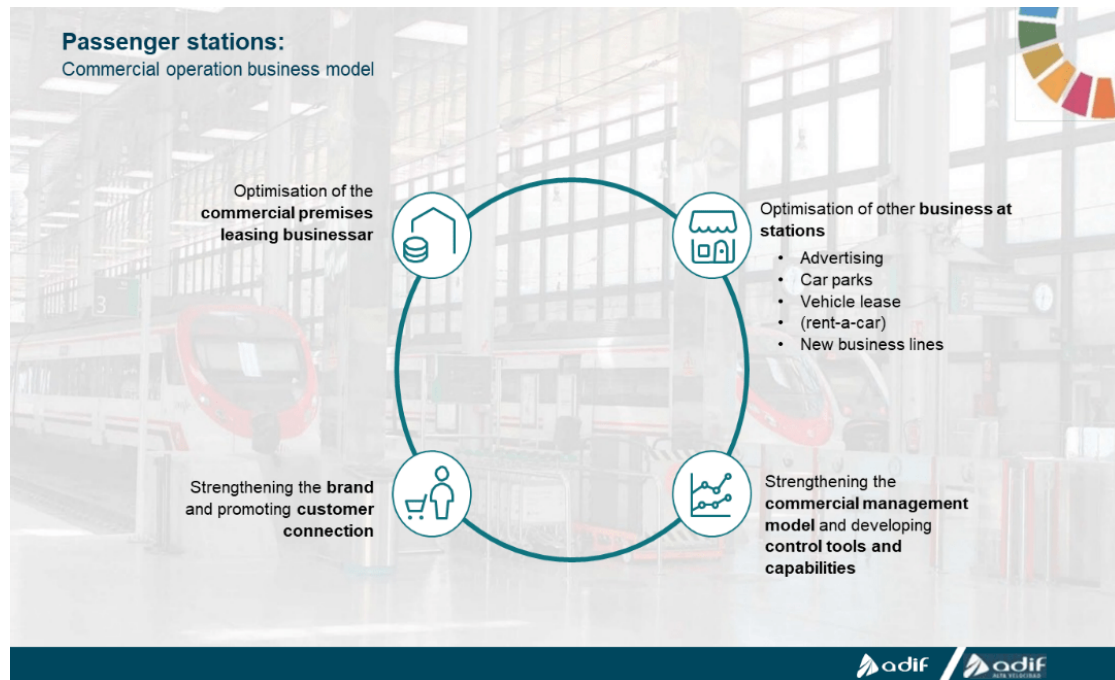
Pursuant to the tender held in the second half of 2019 for a consultancy contract to establish the commercial development model for Adif and Adif AV passenger stations, the winning bidder, Kearney, developed the new commercial operating model based on the following considerations:

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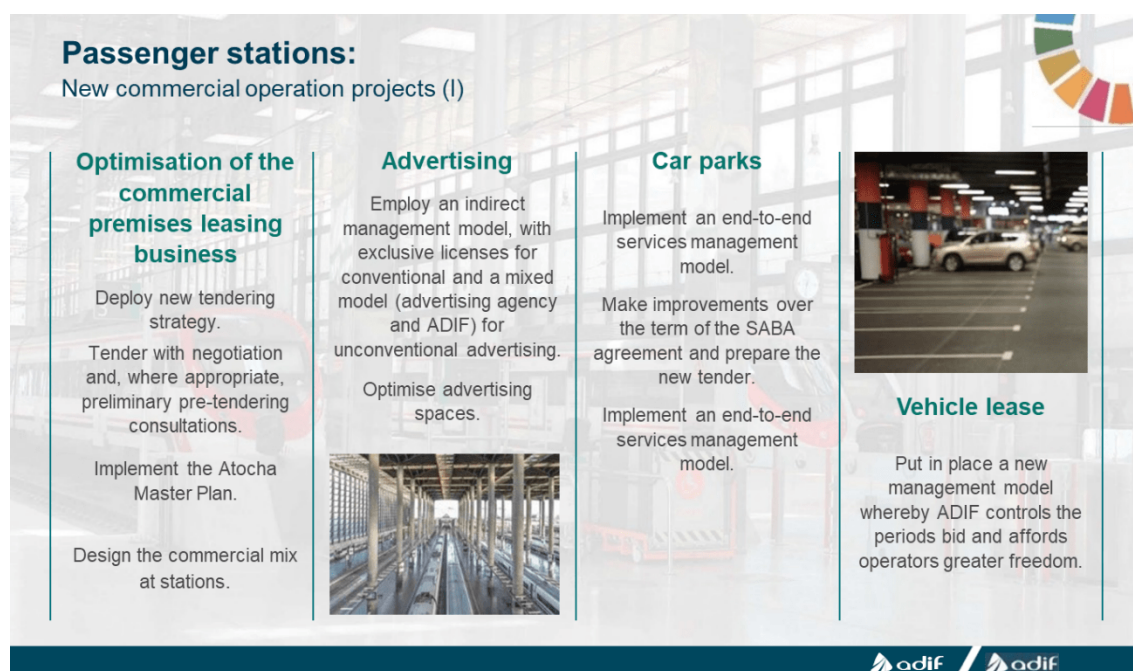
- Liberalisation of rail passenger transport
- The digital transformation of stations already undertaken by Adif and Adif AV

The proposals covered by the contract aim to: define parameters for stations' commercial development to maximise resources; increase the efficiency of the procedure for marketing spaces; make the stations more sustainable; improve the Adif and Adif AV brand images; and enhance customer experience.

Based on Kearney's proposal, the new commercial development model at the stations pursues four strategic objectives, as illustrated in the chart below:



The following initiatives will be undertaken to deliver on the two objectives related to promoting the various existing business lines in stations:



The new commercial operating model also entails taking up new business lines:

- Premiumisation; i.e. the addition of premium retail brands and restaurant/catering.
- Mobile retail and food formats at saturated stations.
- Culturisation; i.e. investee's that spread local culture.
- Last-mile delivery.

Other initiatives will be carried out to reinforce the commercial management model and develop control tools:

- Training plan
- External communication plan
- Workshops with operators and stakeholders
- Development of a CRM system, as described previously

○ **'Ferrolineras'**

Another business line promoted by the Passenger Station Department in conjunction with the Business Strategy Department was the deployment of fast electric vehicle (EV) charging stations called '*Ferrolineras*'. A call for tender was made providing the resources and spaces so potential developers can roll out these charging stations at some 400 stations owned by Adif and Adif AV.

This commercial development model to promote fast EV charging stations is one initiative of the Transformation Office to strengthen the Adif brand and enhance Adif's standing in other markets, in theory by driving and maximising use of the Company's resources. This will improve coordination among Adif and Adif AV's various areas in strategic projects, not to mention generate new revenue streams and make the business areas more profitable.

Through its Plan to Combat Climate Change, Adif is also committed to promoting e-mobility as a tool for delivering on its commitment to decarbonising the economy.

On this front, Adif has been studying ways to harness the electric energy of its network. Thanks to the various R&D projects carried out, a patent was filed for the system control and battery charging procedure using the railway electrification system. With this, Adif can take high voltage power from its own grid (via substations or catenary lines) and make it available to developers of EV charging stations so that they can offer recharging of EV batteries. Extracting this power would not affect rail traffic, which is protected by Adif's own patent.

After an assessment of existing conditions, Adif and Adif AV passenger stations in categories 2 to 5 could be made available to potential EV charge developers; i.e. the charging stations could be installed in slightly more than 400 train stations. A two-phase open and continuous model was devised to make this number of stations available.

To implement these phases, the terms of access to any station regarding the procedure and economic bids applicable to the tender were announced.

For the first phase of development, any interested party may submit an application for a technical feasibility assessment for a specific station for Adif to determine the technical supply conditions for that particular supply point.

After the technical feasibility assessment, the second phase would begin with the tender for the passenger station for which this technical feasibility assessment was performed.



## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Adif/Adif AV's roles in this model is to provide the resources and spaces for the EV charging station developers can undertake the deployment are:

- Provider of the technical feasibility assessment
- Provider of spaces at the passenger stations
- Provider of the HV connection point (power substation or contact area line)
- Provider of the patent for use of the contact area line

### o **Ecomilla project**

Work continued in 2020 on developing Adif's Ecomilla brand. The project was showcased to the media and sectors of interest at the Fitur 2020 trade show and efforts were made to find the best way to commission and tender the project. The possible measures required were assessed and the stations where the project could and should be undertaken were identified. Specific project action, drafting and execution milestones were set until the project is put into practice.

Adif's object with this project is to promote sustainability by facilitating door-to-door travel (from start point to railway station and from there to destination) through an energy-efficient mode of transport with zero emissions.

The station must be a friendly space that improves the strategic objective of customer experience. Real-time information must be available to allow interactive communication among the various modes of transport so that the best alternative can be predicted immediately, and to help travellers to take decisions, thus reducing uncertainty and affording mobility on demand.

Once the measures have been set and the stations eligible for implementing the Ecomilla project are determined, specific project action, drafting and execution milestones are set until the project is put into practice. The timetable will also include user awareness-raising and information campaigns, and monitoring of the acceptance of the measures and achievement of objectives.

#### • **Other commercial actions**

New products were marketed in 2020 that improve customer perception and satisfaction. Meanwhile, the brand implementation process continued, with new premises added to network stations; a new premise was opened on 5 March 2020 in Leon.

This helped shore up the brand and its identification as a versatile business that unifies restaurant and shop activities into a single premise associated with industry experts.

Elsewhere, on 20 November 2020, the tender for the "Lease and operation of a batch of premises for **pay toilets** in public spaces distributed in five Adif AV stations" was published. These stations are: Alicante, Barcelona Sants, Madrid Chamartín, Madrid Puerta de Atocha and Zaragoza Delicias.

#### • **Investments to upgrade stations**

As for the upgrading of stations from the building perspective, considerable efforts were made in 2020 in a bid to minimise the impact of the COVID-19 health crisis on project tendering and execution, without losing sight of the objective to improve functionality and operability, boost facility performance and lengthen the assets' useful lives, with focus on enhancing accessibility and introducing new technologies, with the aim of moving the Company's stations towards the smart facility concept.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

In 2020, a total of **€23.56 million (including VAT)** was invested in order to draft construction drawings and carry out work at both Adif and Adif AV stations, of which **€7.92 million (including VAT) related to accessibility improvements**. Currently, 84.76% of passengers (Adif + Adif AV) pass through accessible station (94.63% accessibility at Adif AV stations).

- **Improvement in station functionality and operation**, drafting of projects and execution of works, lending continuity to the work required by the **transfer of the sales channel** by Adif to Renfe Operadora. The transfer requires the separation between sales premises leased to Renfe Viajeros and the other premises owned by Adif AV, above all with a view to addressing the new need arising from the liberalisation, mainly in stations like León, Málaga María Zambrano, Córdoba, etc. Other key actions included emergency repairs of the covering of Madrid Puerta de Atocha's hypostyle hall.
- **Optimisation of station maintenance and increased station control** through centralised and remote management. Highlights included progress on the execution of works for remote passenger station management and the start of works to start up the Neural Station Centre. Actions were carried out at 48 stations, mostly involving: deployment of a remote management system; installation of automation station access door devices; and supply of new intercom equipment and CCTV cameras for system operation.

Investments were also made to improve safety of platform level crossings in response to the **"Technical Recommendation 7/2018 from the State Rail Safety Agency' regarding Pedestrian Level Crossings"**. This extended the work carried out last year when the tender and framework agreement was awarded to adapt track crossings (mainly lighting, signalling, and tactile paving) setting prices applicable to building items, and tender and award of technical assistance for project drafting specifying the works to be carried out and the related project management.

The 26 projects in each lot were drawn up in 2020 and 21 of them were awarded under the Framework Agreement, leaving five unclaimed lots that were therefore rendered null and void in the Framework Agreement tender. Work also began on all 21 lots during the period, although progress was hampered by the COVID-19 health crisis.

- **Improved safety at crossings between platforms**. The guide on the implementation of immediate protection measures at track level crossings at passenger stations was drawn up during the period, as part of the ongoing process of implementing 1P measures for passive protection of crossings between platforms. It outlines risk-mitigation actions and measures until definitive protection actions can be undertaken to implement new passenger information systems, class 2-A measures for visual and acoustic signalling related to train traffic, or the construction of crossings at different levels, which will require a longer period of time to complete.

The measures envisioned in the guide include drafting a plan to raise and close crossings between platforms. The plan was drawn up in the second half of 2020 and includes an assessment of the actions needed to raise crossings wherever possible. The general criterion here is to ensure a single crossing in cases where there is currently more than one crossing with access to the same tracks and to remove all forms of unauthorised track crossings and short cuts. Service use crossings may be closed wherever it is not possible to plan how to raise them.

The plan covers the entire network of Adif and Adif AV, including suburban and commuter stations and the metric gauge network, with work carried out in tandem to update the information on the inventory of crossings between platforms. As a result, the opportunity was identified to raise and close a significant number of crossings —more than 30% of the total— and work to achieve this objective got under way in 2020.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Other notable actions carried out in 2020 included the development, alongside the Corporate Business and Commercial Operations Department's Risks area, of the specific procedure for safe operation at passenger stations and the specific procedure for assessing the risk arising from the transit of users at crossings between platforms.

- **Fixed and WiFi telecommunications networks at stations:** After drawing up a model for the multi-purpose fibre network at passenger stations the year before, in 2020 the process for awarding the "Drafting of construction drawings, execution of work and maintenance of fixed and WiFi telecommunications networks at Adif and Adif AV passenger stations" project can began, for implementation over the 2021-2022 period. Under this contract, a fibre optic network will be installed at 15 stations, with WiFi available at eight of them.

### IMPACT OF THE COVID-19 HEALTH CRISIS

#### - **Actions related to station operation**

In the wake of the COVID-19 health crisis, we had to implement measures to control the risk of contagion at passenger stations under the action protocol and management model for the new normal at Adif and Adif AV stations. This plan has been updated weekly, with continuous monitoring of the effectiveness of the protocol considering existing levels of risk, the measures put in place and the likely development of the ongoing Coronavirus pandemic.

The plan applies to category 1 and 2 stations of Adif and Adif AV and to the most critical areas where there is prolonged and close contact between people carrying the greatest risk of infection (boarding lounges, pre-boarding areas, access control areas, lobbies, etc.), with an average net floor area of approximately 850 m<sup>2</sup>) and comprising a total of 37 areas (two different areas are being analysed at four stations).

Measures deployed include:

- Disinfection of large areas (lobbies, platforms and outdoor areas): This measure was carried out at the Barcelona Sants, Madrid Chamartín Clara Campoamor and Madrid Puerta de Atocha stations.
- Implementation of an automatic capacity control system at the boarding lounges of two stations (Barcelona Sants and Madrid Puerta de Atocha). Work also began to install this system at the following four stations, even though it is not strictly necessary given the current level of risk: Alicante, Madrid Chamartín, Málaga y Valencia Joaquín Sorolla.
- Installation of an infrared passenger thermometer and control system for boarding lounge access at the Barcelona Sants and Madrid Puerta de Atocha stations.

In tandem, a specific procedure was deployed in July 2020 jointly with the Self-Protection and Safety area to measure skin surface temperature and ensure the use of masks for people accessing boarding lounges at the stations of Adif AV.

Further measures put in place at passenger stations to control the risk were:

- Installation and refilling of sanitiser gel stations in toilets for users.
- Installation of contactless, high-capacity gel dispensing machines at entrances and communal areas with the highest traffic at 14 stations, selected according to capacity calculations.
- Installation of protective screens in Adif customer service areas and points.
- Distance marking on the ground and removal of benches to facilitate social distancing measures.
- Separate entry and exit flows at stations, through the installation of signalling tape, retractable barriers, vinyl indicators, adhesives on pavements, stickers and signage.



## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

- Station announcements and public address messages to enforce the use of face masks.
- Natural ventilation and maintenance measures in accordance with international technical protocols.

### - **Actions to address the impact at commercial establishments.**

In view of the impact that COVID-19 has had on commercial establishments, Adif and Adif AV have worked to offer station clients a raft of support measures, primarily reduced rent payments in accordance with Royal Decree Law 23/2020. This aid consists of a discount equal to half the percentage year-on-year decrease in sales at the establishment, provided that the reduction exceeds 40%. Rent payments may now be spread over the following 24 months without interest, if the contract remains in force over that period, or otherwise until the end date of the contract.

A total of 324 clients applied for the support offered for the March-June period within the deadline, i.e. within one month following the publication of Royal Decree Law 23/2020. There are 499 contracts in effect with these customers.

We contacted the 324 customers (100% of the total) and received the following responses in terms of contracts:

- Affirmative response	431
- Negative response	9
- Termination requested	30
- Does not apply	59
- Addendum signed	431

For 85% of the total number of contracts, the conditions offered were accepted and 431 addenda were signed. Of these, only nine customers reiterated in writing their decision not to accept the support; in 59 cases the measures did not apply because the contracts were not eligible; while in 30 cases, despite having claimed the aid, the customer ultimately requested termination of their contract.

While this support initially covered the period of the state of alarm running from March to June and then up to and including October, on 17 November 2020 new measures were enacted to alleviate the impact of the COVID-19 crisis, effective 31 October 2020. To announce this second round of measures, a total of 251 communications relating to 413 contracts were delivered in December 2020 and early January 2021.

These measures will become effective when the customers submit the relevant documentation and once the actual number of travellers for the November 2020 – January 2021 period is known so that the relevant calculations can be made.

## STATION MAINTENANCE SERVICES

In 2020, the technical documentation and administrative procedures were completed ahead of the publication of the tender for the **provision of maintenance services** for all 1,498 Adif and Adif AV stations with passenger traffic, including five stations located on high-speed lines that are expected to be commissioned in 2021.

This action should make the facilities more reliable, while improving safety conditions in the area outside platforms and the ability to respond to extraordinary incidents at all passenger stations, including those with lower passenger traffic located in rural or less densely populated areas.

Also in 2020, the technical documentation and administrative procedures were completed ahead of the publication of the tender for the **provision of on-site ancillary and complementary services** at a total of 68 passenger stations, with the aim of maximising operability and ensuring the continuing operation of the stations.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

This contract will cover Adif's own needs at 60 stations with passenger traffic of more than 150 passengers/day, where there are currently no human resources available, and at a further eight stations considered significant, even though they experience lower levels of passenger traffic. It also envisions the provision of extraordinary services on an *ad hoc* basis, at the request of Adif, at any of its 1,498 stations with passenger traffic. The expected results are an improvement in the level of service provided and in the image perceived by passengers, as the contract will ensure a continuous presence of staff at stations during opening hours, and an improvement in the ability to respond immediately to incidents or unforeseen events.

Given the amount of the tender budget for the two contracts described above, they had to be authorised by the Spanish Cabinet. Approval was granted in December 2020, meaning the actual tender and award of the contracts will take place in 2021.

The maintenance service at passenger stations will entail one scheduled visit per month at each station or one scheduled visit every two months, depending on the maintenance arrangement agreed upon for each station, plus any further visits needed to carry out corrective maintenance or other additional maintenance services. The following types of services will be provided:

- Standard comprehensive maintenance services at 529 stations on Adif's conventional network, including preventive, corrective and routine maintenance activities and asset condition and control checks.
- Standard routine maintenance services and asset condition and control checks at 860 specific stations providing suburban and commuter services and stations on the metric gauge network, as well as certain facilities and equipment managed by Adif.
- Standard routine maintenance services and asset condition and control checks assets for certain installations and equipment present at 62 stations on Adif's conventional network, located in provincial capitals, capitals of autonomous communities or in urban centres with large populations and heavy passenger traffic, and at 42 stations that accommodate high-speed rail traffic, plus the five new stations that are expected to be put into service in the short term.
- Extraordinary services, at Adif's request, within the scope of the 1,498 stations, involving corrective maintenance or other additional maintenance services to ensure the normal operation and running of the stations.

The provision of ancillary and complementary services at stations shall include the following regular work:

- Performance of tasks to ready the stations for normal service.
- Customer support and management of specific Adif station services.
- Support for traveller information equipment and management of the associated systems.
- Control of activities at the station and general services, including monitoring and control of the activities of third parties present at the station.
- Control and monitoring of assets and security at the station.
- Support in response to incidents or emergencies, including the use of defibrillators, if available, and the use of fire protection equipment or other resources present at the station.
- Maintenance work, troubleshooting of minor incidents and specific actions to ensure the availability of services at the stations and the sound functioning of the facilities during business as normal and in response to extraordinary situations and incidents or as a preventive measure.
- Risk prevention activities as and when required.

## **NEURAL STATION CENTRE**

In 2020, the technical documentation was drawn up for the project and work carried out to install equipment and operating systems at the station nerve centre and to enable remote management of the stations.

The aim of this project is to build and commission the Neural Station Centre (NSC), a technological and service-based platform that will provide the remote monitoring and management of passenger station installations and equipment, while also installing and handling the necessary technology and automation at the stations to allow for their remote management from the NSC.

The planned actions are one of the key initiatives of the Plan for the Digital Transformation of Stations, the aim of which is to enable Adif to communicate with passengers 24/7 and ensure the normal operation of stations and the provision of basic services during unmanned hours, while also providing a fast and efficient service in response to any significant incidents that may occur at any of the stations along the network.

To achieve this, IT equipment and centralised systems for the operation of passenger stations will be procured and installed, as will the necessary hardware and software equipment and systems for the NSC itself. Work will also be carried out to adapt or upgrade existing equipment or install new equipment at the stations with the aim of integrating them into the NSC and enabling their centralised monitoring and management.

The work to be carried out encompasses the supply, installation and commissioning of the necessary equipment and systems at the Valdebebas station, which Adif has chosen to house the NSC. It does not include civil engineering work to refurbish the existing premises at the station. For this, the drawings currently being drafted by Adif's Projects department.

The stations identified to be incorporated into the NSC are all passenger stations managed directly by Adif, totalling 640, although the NSC has been designed to provide service to all passenger stations, including, further down the line, suburban and commuter stations and stations on the metric gauge network.

Following the drafting of the technical specifications, the tender process and construction work are scheduled to begin in 2021.

## 5.5. Environmental management and climate change action

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Adif AV has always embedded environmental criteria into the management of its business, as is evident in the existence of dedicated documents such as its Environmental Policy and its Code of Ethics and Conduct. As mentioned previously, the 2030 Strategic Plan places the environment as one of the priorities of the business strategy, as reflected in Strategic Goal 17 on Environment and Climate, as part of the wider Sustainability Pillar, of contributing to the development of an environmentally-friendly mode of transport that makes responsible use of scarce resources.

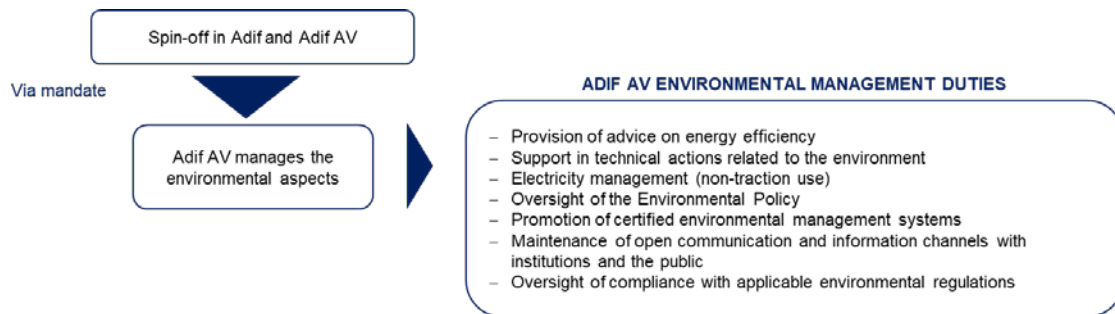
While rail transport implies an environmental advantage relative to other modes of transport thanks to its low impact on contamination and low greenhouse gas emissions, Adif AV is aware that its works have an adverse impact on the environment. Against that backdrop, the Company is keenly aware of the importance of environmental prevention and oversight efforts.

## 5.5.1. Environmental management

Matters related with business sustainability and energy efficiency are managed by Adif's Strategy Department, while the more operational aspects are handled by Adif AV's environmental management team.

Accordingly, Adif AV's environmental strategy and policy are jointly formulated by Adif's Sub-Department of Corporate Responsibility and Sustainability and the Adif AV environmental management team.

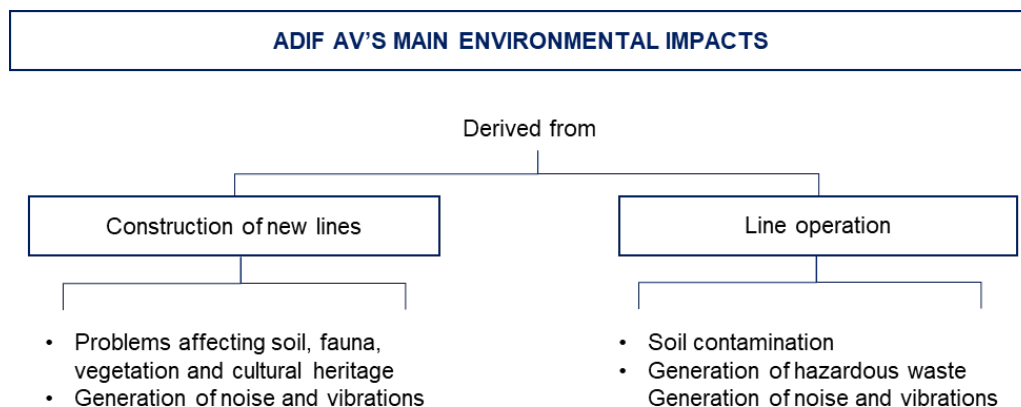
Since Adif and Adif AV were formally separated, Adif AV is the entity mandated with implementing and supervising this policy at both firms. Adif AV also provides other environmental management services to Adif.



The General Procedure for the Management and Coordination of Environmental Activities at Adif AV sets down the guidelines governing the internal environmental management effort with the aim of reducing environmental risks, making optimal use of available resources and defining key lines of initiative.

The Company has designed an Environmental Management System in order to prevent, mitigate, correct or offset the environmental impacts of its activities. The ultimate goal is to ensure compliance with environmental regulations and to preserve and protect the environment and biodiversity.

This Environmental Management System starts by identifying the environmental impacts of Adif AV's activity, which are largely a result of the operation of new lines, including actual train traffic and the conservation and maintenance of related infrastructure, facilities and stations, though also the environmental impact of constructing new lines.



Adif AV's Environmental Management System is based on ISO 14001:2015 and is certified by AENOR. Via this certification, Adif AV is in a position to assure that it:

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

- Guarantees compliance with applicable environmental legislation with respect to the certified activities and centres.
- Establishes and implements objectives for continuous improvement in the certified system so as to in turn enhance the environmental management of the covered activities.

The certificate covers the following aspects of Adif AV's activities:

- Control and oversight of compliance with the environmental conditions set down in Adif AV's environmental impact statements (EISs), its environmental oversight plans and the requirements applicable to its rail infrastructure and facility construction activities.
- Management and coordination of research studies and projects related with rail infrastructure and facilities.

The importance of sound environmental management when carrying on the business is supported just like any other strategic concern in the Enterprise Risk Management model, thus requiring regular monitoring and control in terms of risk management. Adif AV complements its Environmental Management System by allocating funds and human resources<sup>2</sup> as needed to minimise any negative impact<sup>3</sup>.

Thanks to the Company's strong environmental practices, Adif AV received **no serious or very serious administrative sanctions or penalties** in 2020 due to environmental breaches

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<sup>2</sup> Within the Insurance Programme, the Company has arranged general civil liability insurance covering operations at both Adif and Adif AV and also complementary civil liability, which includes additional and specific coverage for environmental civil liability. This supplementary guarantee covers environmental liability under Law 26/2007 (partially implemented by Royal Decree 2090/2008 of 22 December) covering primary, supplementary and compensatory repair costs.

<sup>3</sup> The criteria for classifying a sanction as minor, serious or very serious are set out in the agreement to initiate the sanctioning proceedings, or in the decision ultimately delivered. Sanctions are graded on the basis of the rule that was breached.

### VOLUNTARY INITIATIVES

Framed by its firm commitment to carrying out its activities in a manner that protects the environment, Adif AV undertakes a series of initiatives and participates in a number of voluntary platforms with third parties in order to promote respect for our natural surroundings and minimize the environmental impacts of its activities. The main initiatives targeted at the protection of the natural resources located in the vicinity of the rail infrastructure built maintained and operated by the Company are the following:

- Monitoring consumption of natural resources: Adif AV regularly prepares indicators tracking its consumption of water, energy and fuels.
- Ballast quarry certification: Adif AV has a list of quarries with the corresponding environmental impact studies and restoration plans.
- Use of solar energy: Adif continues to make progress on increasing its use of this renewable source of energy which contributes to sustainable development without affecting air and soil quality.

In the past, Adif AV has participated in many initiatives designed to raise awareness of the need to protect our natural surroundings, educating target audiences about what impacts its activities have on them. Adif AV takes part in the activities organised by the Environment, Energy and Sustainability Platform of the UIC – International Union of Railways.

## 5.5.2. Sustainable use of resources

Adif AV consumes a series of resources it needs to carry out its activities. In its pursuit of good environmental practices, with the support of its Environmental Management System, the Company strives to minimise, to the extent possible, its consumption of the resources it uses in the course of carrying out its activities and the impact of its activities on the environment.

The main resources consumed are energy, water and materials. Its main impacts are emissions, soil contamination and waste generation, among others.

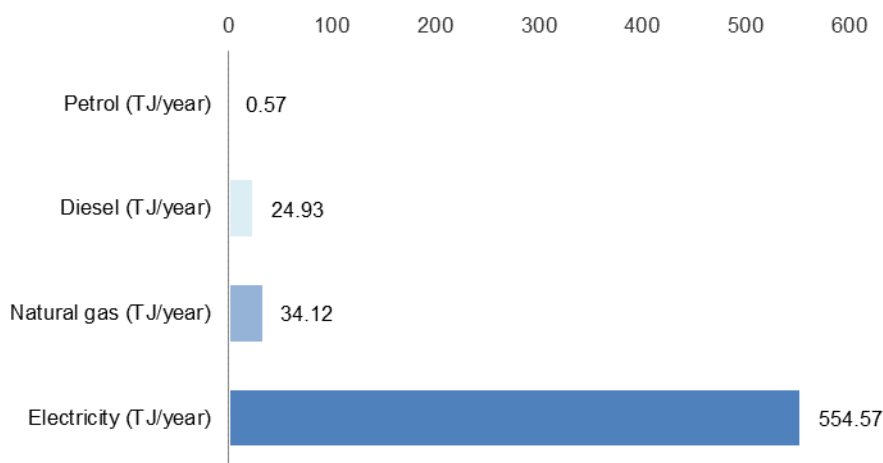
### Energy consumption

**Final energy** consumption from Adif AV's own activities relates mainly to electricity (93.7%) and, to a much lesser extent, diesel (4.2%) and natural gas (2.0%), while petrol is the least consumed resource at 0.1%.

Energy type/Fuel	2018	2019	2020
Electrical energy (TJ/year))	570.79	583.36	554.57
Traction use (TU)	254.39	267.10	261.55
Non-traction use (NTU)	316.40	316.27	293.02
Diesel fuel (TJ/year)	26.73	28.40*	24.93
Diesel A – Automotive	1.21	1.40*	0.70
Diesel B – Track maintenance	8.46	10.02	7.08
Diesel B – Workshop shunting	0.00	0.00	0.00
Diesel B – Ancillary terminal operations	0.00	0.00	0.00
Diesel B – Station shunting	16.77	17.17	17.16
Diesel C – Heating	0.28	0.00	0.00
Petrol (TJ/year)	0.18	0.37*	0.57
Natural gas (TJ/year)	35.85	38.40*	34.12
<b>TOTAL</b>	<b>633.56</b>	<b>650.72*</b>	<b>614.19</b>

\* Updated values

## ENERGY CONSUMPTION BY FUEL TYPE IN 2020



As can be seen in the diagram, energy consumption from Adif AV's own activities relates mainly to electricity (90%). The main components of other consumption are natural gas (5.6%) and diesel (4.1%).

Indirect consumption of **primary energy** also relates mainly to electricity. The following table shows indirect consumption deriving from final consumption of electricity, broken down by type of primary energy source:

Sources of primary energy (T J/year)	2018	2019	2020
Coal	263.86	80.22	39.89
Natural gas and fuel	-	-	-
Combined cycle	200.23	386.18	318.22
Nuclear	402.34	421.63	462.56
Cogeneration and non-renewable waste	233.92	238.80	240.45
Turbine pumping	14.97	13.06	22.51
<b>Fossil fuels</b>	<b>1,115.32</b>	<b>1,139.89</b>	<b>1,083.63</b>
Hydro	81.32	133.14	64.55
Wind	116.68	35.30	113.27
Solar (photovoltaic and solar thermal)	28.29	11.15	41.01
Other renewables <sup>4</sup>	10.02	241.51	10.75
<b>Renewable resources</b>	<b>236.31</b>	<b>241.51</b>	<b>229.59</b>
<b>TOTAL</b>	<b>1,351.63</b>	<b>1,381.41</b>	<b>1,313.22</b>

*Note: Values calculated on the basis of data provided by Red Eléctrica de España on the structure of annual mainland electricity generation.*

## Intensity of final and primary energy consumption

Energy intensity is defined as the consumption of final or primary energy (in MJ consumed) divided by the unit of production most representative of Adif AV's activities (traffic managed in train kilometres).

<sup>4</sup> Other renewables includes biogas, biomass, marine hydro and geothermal.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

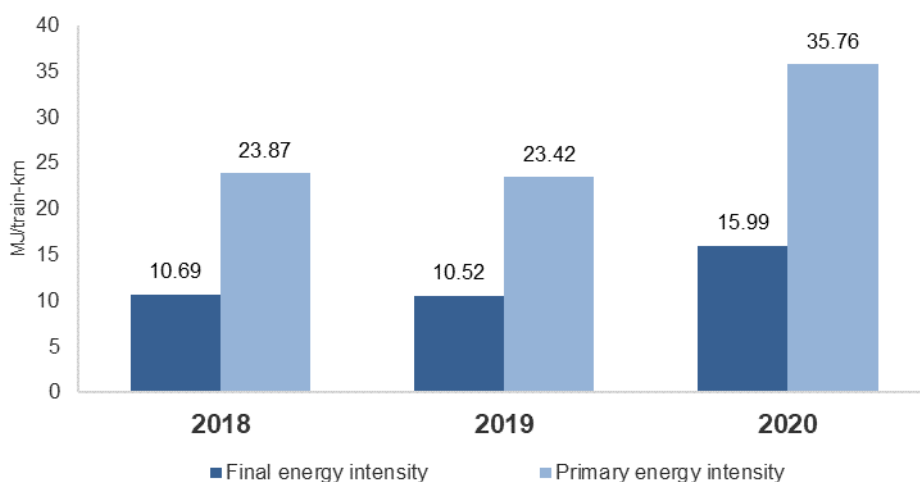
These two indicators allow Adif to quantify its energy efficiency and measure its energy consumption dependence in relation to the growth in its activities:

	2018	2019	2020
Train-km under management (train-km/year)	59,251,500	61,868,768	38,392,375
Final energy intensity (MJ/train-km)	10.69	10.52*	15.99
Primary energy intensity (MJ/train-km)	23.87	23.42*	35.76

\* Figures updated as per the methodology applied for 2019.

As can be seen in the table above, rail traffic managed by Adif AV in 2020 came to 62% of the figure reported in 2019, representing a reduction of **38%**. This has pushed up both final and primary energy intensity by around **52%** from the previous year. This, however, is not indicative of poor energy performance as it was due to the significant reduction in rail traffic in 2020.

### ENERGY INTENSITY



Final and primary energy intensity were **up at Adif AV** in 2020, due to a 38% reduction in managed traffic compared to the year before.

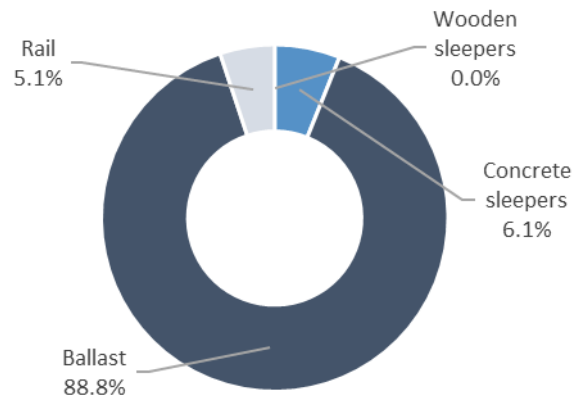
### Material consumption in the course of construction operations

Material consumption at Adif AV is mainly concentrated in the rail materials used in construction of the rail network such as sleepers, rail and ballast.

Total rail materials	2018	2019	2020
Rail (t)	21,638	45,824	26,049
Wooden sleepers (t)	0	0	0
Concrete sleepers (t)	64,638	139,147	30,808
Ballast (t)	638,051	728,806	453,026



## MATERIAL CONSUMPTION



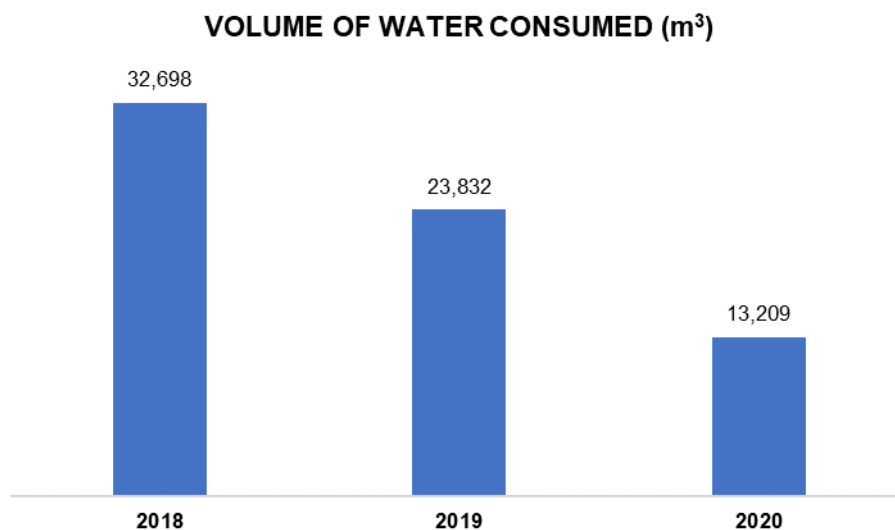
Material consumption fell by 38% in 2020. Ballast accounted for 88.8% of total material consumption, followed by rail (5.1%).

## Herbicide consumption

Adif AV uses weed killer to impede the growth of herbaceous plants in the infrastructure and facilities it owns as their growth can generate issues for the running of tracks and increase the risk of fire along track verges. In 2020, the consumption of herbicides per unit of surface area treated declined by 39% with respect to 2017.

## Water consumption

Adif AV mainly consumes water for sanitation purposes and to clean its facilities. Its main source of supply is the public supply network, although it also consumes a small amount taken from wells. Water consumption figures for recent years are as follows:



## 5.5.3. Combating climate change

### Strategic framework

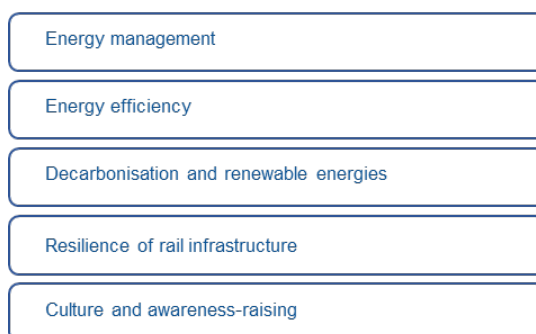
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

The Company has amassed knowledge and learned lessons from the Energy Saving and Efficiency Master Plans launched in 2009 to draw up a **Climate Change Action Plan for 2018-2030** at both Adif and Adif AV. The plan was approved in the first quarter of 2019 to replace the existing Master Plans of both companies.

This Plan pursues one of the main pillars of the **2030 Strategic Plan** of Adif and Adif AV, namely sustainability, and pursues the strategic objective of making transport more environmentally friendly and responsible when it comes to the use of resources.

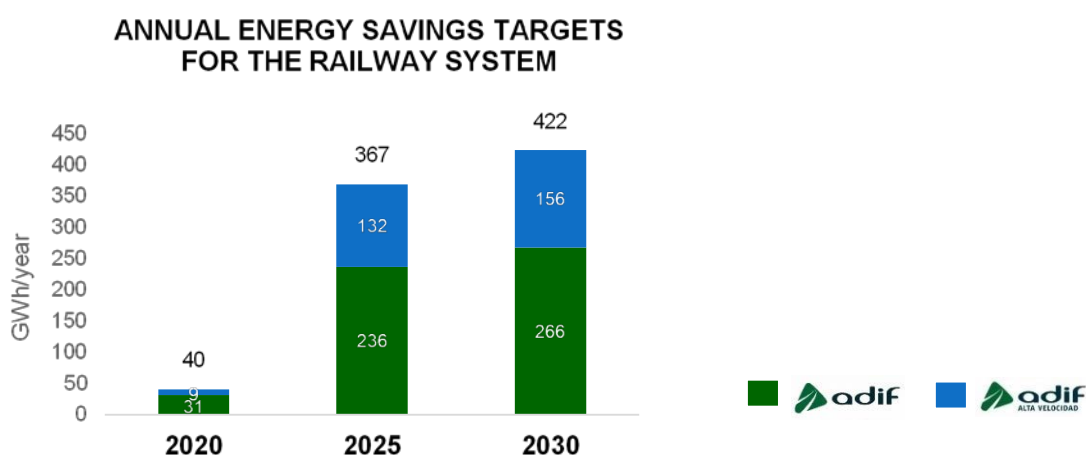
Thus, the Plan is a **further show of Adif and Adif AV's commitment to combating climate change**, focusing on the following courses of action:

### - LINES OF ACTION TO COMBAT CLIMATE CHANGE -



The **Plan to Combat Climate Change** of Adif and Adif AV was approved in the first quarter of 2019. It envisions specific objectives for reducing energy consumption and greenhouse gas (GHG) emissions and sets specific targets for 2020, 2025 and 2030.

In terms of energy savings, the Climate Change Action Plan for 2018-2030 envisages the following targets for three different points in time:

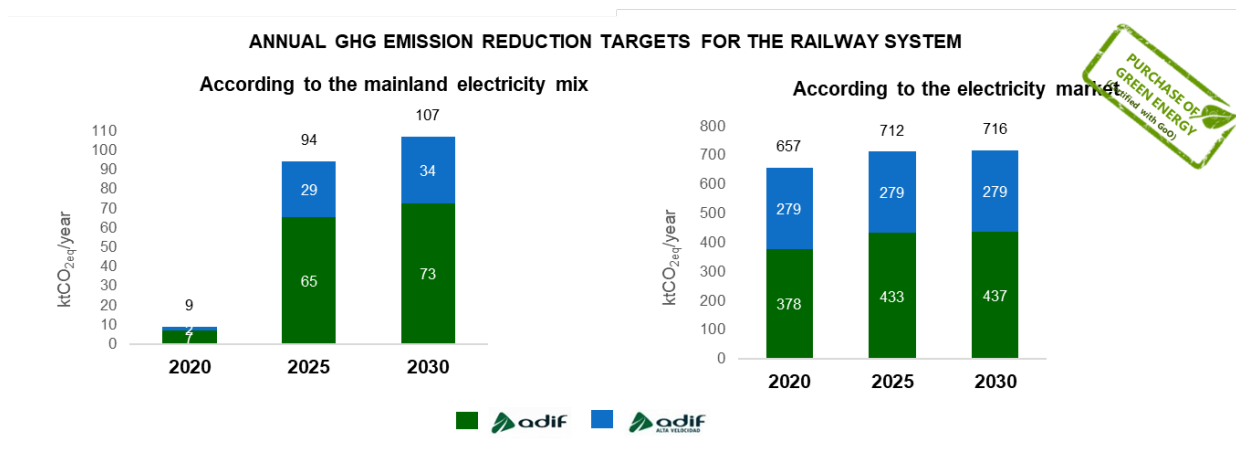


By implementing the projects included in this Plan, the estimated **cumulative reduction** in energy consumption for the 2018-2030 period will total **2,900 GWh<sub>eq</sub> at both companies**.

Within the framework of this Plan, Adif and Adif AV have been **sourcing green electricity** with guarantee of origin (GoO) since 2019, thus completely offsetting their GHG emissions associated with electricity consumption.

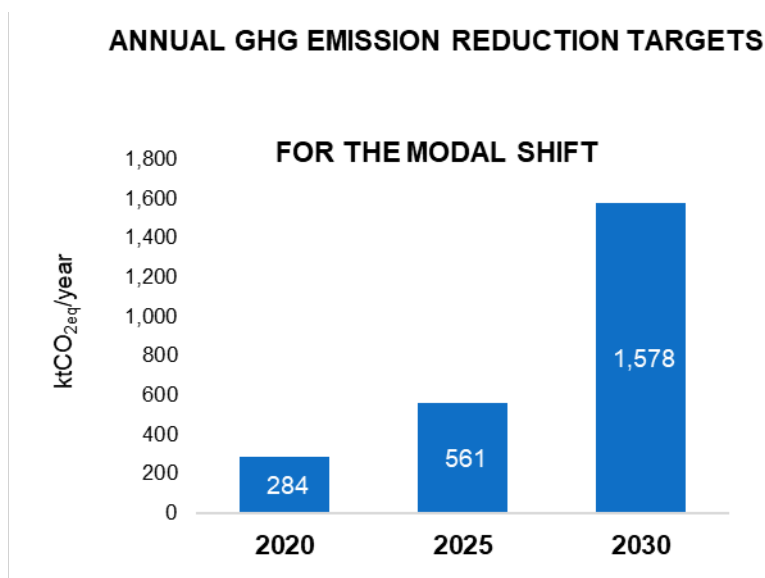
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

However, when defining GHG emission reduction targets under the Plan, a double calculation was made by applying pertinent recommendations of international standards. Therefore, annual GHG emission reduction targets have been established for Adif and Adif AV according to the mainland electricity mix and the electricity market based on the purchase of renewable energy with GoO:



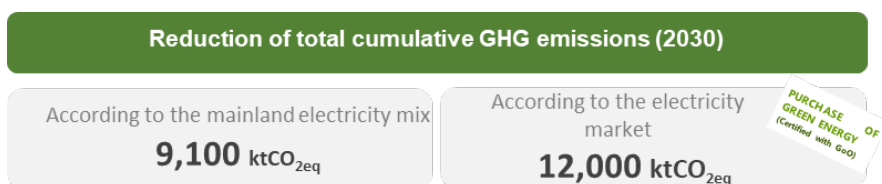
The cumulative emissions reduction for the 2030 Plan horizon at Adif AV would be **777 ktCO<sub>2eq</sub>** (according to the electricity mix) and **3,700 ktCO<sub>2eq</sub>** (according to the electricity market through the purchase of green energy with GoO).

The Plan also takes into account the contribution and worth of promoting the modal shift to rail. Thus, assuming the modal share of rail increases by 2030 for both passenger and freight transport, in line with the objectives of the White Paper on Transport and the targets set by the European Union and the International Energy Agency, the GHG emissions avoided by this modal shift to rail can be estimated.



The modal shift is expected to generate a cumulative reduction in emissions of over **8,400 ktCO<sub>2eq</sub>** by 2030.

Therefore, if we add the estimated emissions associated with the modal shift, the Climate Change Action Plan of Adif and Adif AV would generate a total cumulative GHG emission reduction for 2030 of **9,100 ktCO<sub>2eq</sub>** in relation to the electricity mix and of **12,000 ktCO<sub>2eq</sub>** in relation to the electricity market through the purchase of green energy with GoO.



## Strategic indicators

To monitor the degree of progress made towards the Climate Change Action Plan, two main strategic indicators have been defined:

- **Improvement in energy efficiency:** GWh<sub>eq</sub> saved per year through the implementation of energy efficiency actions.
- **Reduction in GHG emissions:** tCO<sub>2eq</sub> avoided per year through the actions to combat climate change put in place.

Both indicators refer to energy savings and emission reductions generated across the entire railway system and take into account the measures deployed since 2009 under the previous Energy Saving and Efficiency Master Plans.

In the case of Adif AV, both indicators are as follows for the 2018-2020 period:

### Improvement in energy efficiency (GWh<sub>eq</sub> / year)

	2018	2019	2020
TU (traction use)	56.36	77.86	77.86
NTU (non-traction use)	25.11	25.70	26.32
<b>TOTAL</b>	<b>81.47</b>	<b>103.56</b>	<b>104.18</b>

**104.18 GWh<sub>eq</sub>/year** of electricity consumption saved since 2009.

### Reduction in GHG emissions (tCO<sub>2eq</sub> / year)

	2018	2019	2020
TU (traction use)	12,375	17,083	9,773
NTU (non-traction use)	5,499	5,629	3,255
<b>TOTAL</b>	<b>17,874</b>	<b>22,712</b>	<b>13,028</b>

**13,028 tCO<sub>2eq</sub>/year** avoided through energy efficiency and decarbonisation actions undertaken since 2009.

Gradual progress in improving energy efficiency was made during the period, with a slight improvement in the reduction of energy consumption of the railway system in 2020. Meanwhile, the absolute value of GHG emissions avoided was lower than in previous years because the CO<sub>2</sub> emission factor of the peninsular electricity system in 2020 was considerably lower than in earlier years.

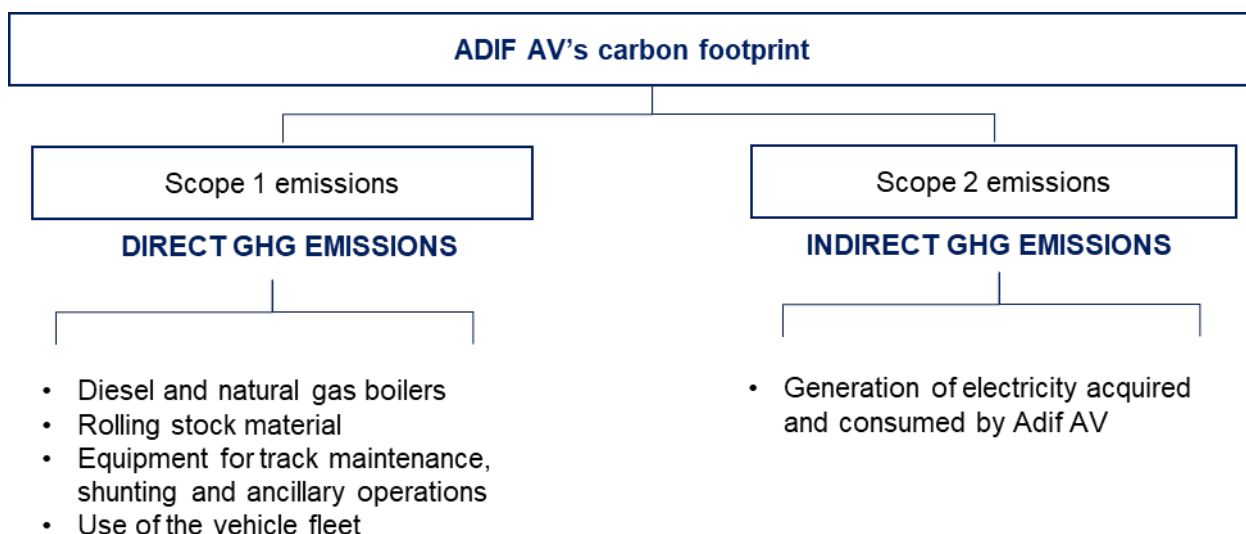
## Emissions deriving from Adif AV activities

Adif AV complies with prevailing legislation with respect to its emissions obligations.

In the course of its activities, Adif AV generates indirect emissions (via generation of the electricity it consumes) and direct emissions (as a result of diesel- and natural gas-fired boiler consumption, the fuel consumed in traction motors, related machinery and the vehicle fleet).

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

It monitors those emissions by calculating its carbon footprint, which enables organizations to track the GHG emissions associated with their business activities. Those emissions are categorised into two different scopes:



The following table shows Adif AV's CO<sub>2</sub> equivalent emissions (tCO<sub>2eq</sub>/year) for 2018-2020.

		2018	2019	2020
Scope 1	Fuel facilities	2,046.72	2,167.51*	1,925.76
	Track maintenance, shunting and ancillary operations	1,795.76	1,934.58	1,724.34
	Vehicles	99.01	125.48*	89.11
	<b>Total scope 1</b>	<b>3,941.49</b>	<b>4,227.58*</b>	<b>3,739.22</b>
Scope 2	Electricity consumption	34,684.49	27,583.74	19,040.24
<b>TOTAL (tCO<sub>2eq</sub>)</b>		<b>38,625.98</b>	<b>31,811.32*</b>	<b>22,779.47</b>

\* Updated values

Adif AV's **carbon footprint** for the 2018-2020 period **fell by 41.1% and by 28.4% in 2020 versus 2019.**

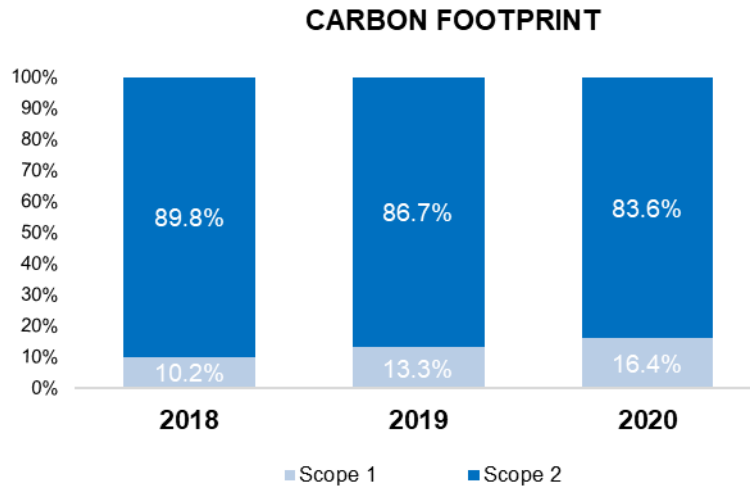
We can therefore observe a further reduction in the carbon footprint in 2020 for both scope 1 and scope 2 emissions, which has been following a downward trend since 2018. Note, however, that these figures are not particularly representative due to the unprecedented events that took place during that year. Looking closer, the greatest reduction can be seen in scope 2 emissions, which fell by **45.1%** versus 2018 and **31%** versus 2019.

Meanwhile, all the energy consumed by Adif AV in 2020 came with **guarantees of origin** (GoO). Taking this circumstance into account, the carbon footprint can be calculated on the assumption that Scope 2 emissions are equivalent to zero. Thus, in 2020, the footprint was 3,739.22 tCO<sub>2eq</sub>, all corresponding to scope 1 emissions. This would mean that the reduction in respect of 2018

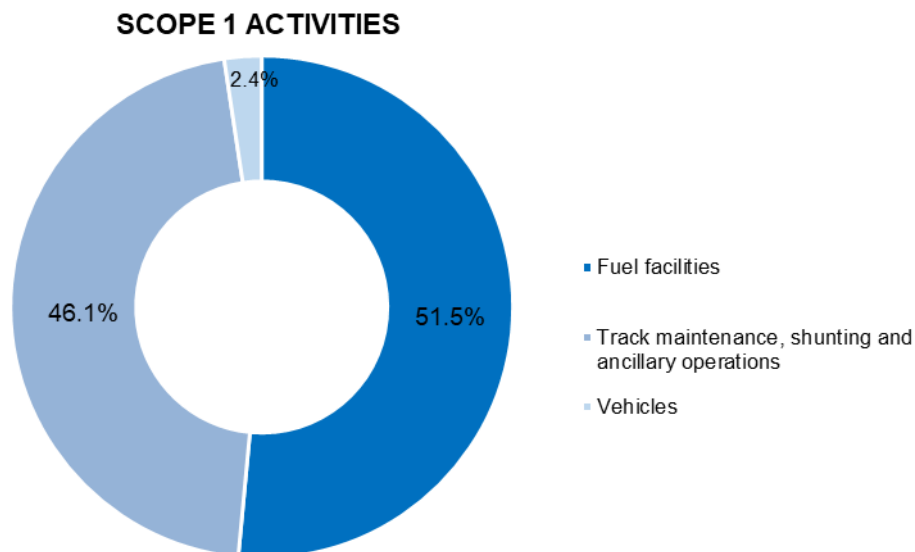
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

would be **90%** and **88%** in respect of 2019, revealing the weight of electricity in the energy consumption balance of Adif AV.

The contribution of the two scopes to the total carbon footprint is shown in the following diagram:

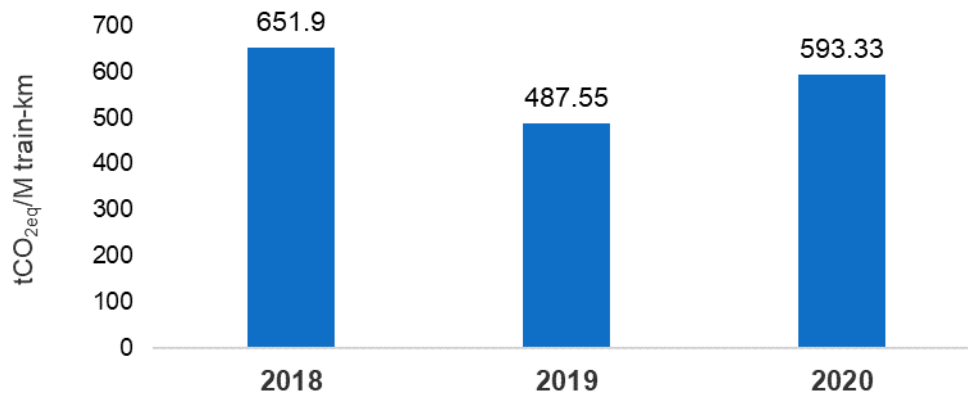


Scope 2 emissions account for the majority at nearly 84%. Scope 1 includes the activities of fuel facilities, which account for the largest amount of direct GHG emissions (51.5%), closely followed by emissions caused by track maintenance, shunting and ancillary operations (46.1%).



Analysing the emissions and taking into account the representative production unit (train-km managed), we see that **GHG emissions intensity** fell by **9.0%** over the 2018-2020 period and yet was up **21.7%** in the last year. This is due to the fact that total traffic managed by Adif AV in 2020 was down 38% on the previous year, so while GHG emissions generated were lower, the intensity with respect to the unit of production is in fact higher.

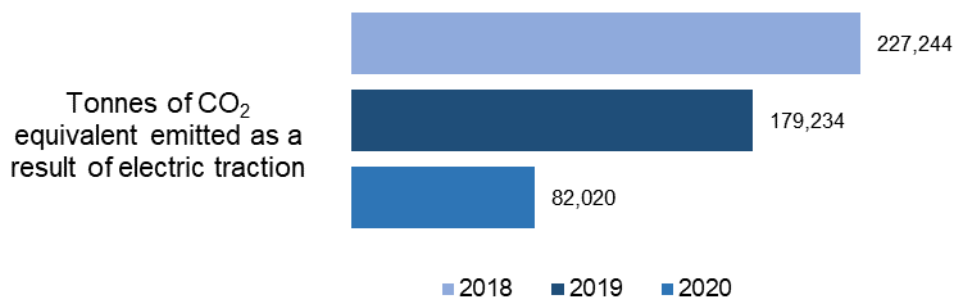
## GHG EMISSION INTENSITY



### Emissions from the provision of traction on infrastructure managed by Adif AV

For the high-speed network, electricity alone is consumed by the railway operators, meaning GHG emissions are indirect and refer to the generation of the electricity those operators consume. The trend in these emissions between 2018 and 2020 is as follows:

### TONNES OF CO<sub>2</sub> EQUIVALENT EMITTED/RAIL TRACTION OVER INFRASTRUCTURE MANAGED BY ADIF AV



Over the 2018-2020 period, emissions generated by electric traction were down **64%** due to the reduction in traffic in 2020, as already discussed.

Further, these indirect emissions refer to energy generated at power plants and are therefore dependent on the mainland electricity generation system, the structure of which changes from year to year, thus causing CO<sub>2</sub> emission factors to also vary from year to year and influence these differences.

Applying international carbon footprint calculation standards, and if the electricity market is used instead of the mainland mix, then since 2019 all electricity purchased by Adif AV and consumed by railway operators is GoO certified. Therefore, it is fair to say that CO<sub>2</sub> emissions associated with electric traction are equivalent to zero over the last two years.

### Adapting to climate change

The Climate Change Action Plan not only envisions actions to mitigate climate change by achieving a reduction in GHG emissions, but also a specific course of action that involves **adapting railway infrastructure and making it more resilient.**

In January 2020 the Standards Committee approved internal standard *NAG 4-0-0.0 Methodology for risk analysis and adaptation to the effects of climate change* in order to make railway infrastructure vulnerability assessments part of the adverse effects of climate change at the earliest stages of infrastructure construction.

The goal is that during the initial stages of defining rail infrastructure construction projects, their impact on climate change should be one of the variables contemplated when designing the infrastructure.

Application of the standard began in 2020 when drafting new railway infrastructure projects, mainly those that are co-financed by European bodies.

### 5.5.4. Pollution

#### Noise pollution

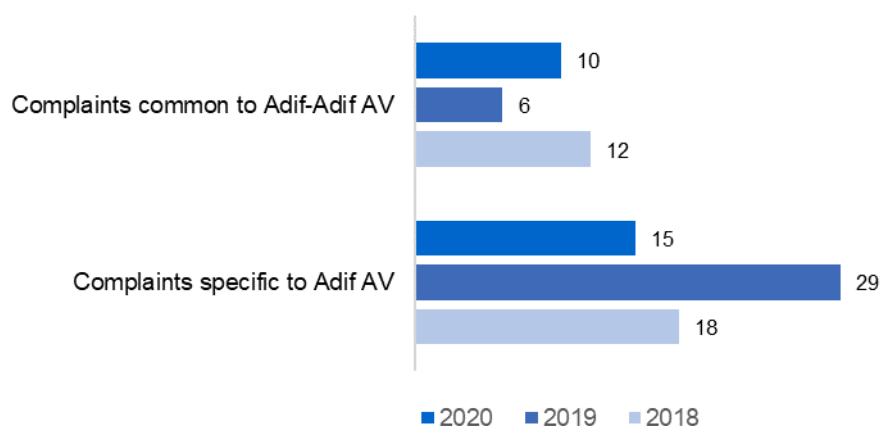
Noise pollution is another of the adverse impacts of Adif AV's business activities. The emission of noise and vibrations stems primarily from the running of passenger and freight trains. However, there are other sources of noise and vibration, namely:

- The activities conducted at Adif AV's passenger stations, such as the public announcement systems, train shunting operations and building temperature control systems.
- Infrastructure maintenance operations, mainly arising from the use of track machining equipment.
- Construction work on the new high-speed lines.

Adif AV has a procedure for collecting, documenting and processing complaints related with noise levels, underpinned by its Management System.

Some **90%** of the complaints received relate to **noise** and the remaining **10%** to **vibrations** (Adif + Adif AV).

#### NOISE-RELATED COMPLAINTS



As mandated by the Ministry of Transport, Mobility and Urban Agenda, Adif AV has been drawing up so-called strategic noise maps and action plans for the major high-speed rail routes (those carrying over 30,000 trains per year).



## **Soil contamination**

As is customary when undertaking high-speed line projects, Adif AV acts as necessary to prevent soil contamination in the areas where the lines are built. However, the soil may sometimes be affected for various reasons while carrying out the work. In 2020, no such incidents were reported at Adif AV construction sites.

### **5.5.5. Waste management and circular economy**

Passenger stations and the building and maintenance of high-speed railway infrastructure account for most of the waste generated by Adif AV.

As there are many activities that generate different types of waste, the Company reports figures on the generation of both urban or domestic waste and waste classified as hazardous according to current law and regulations.

#### **Hazardous waste**

The hazardous waste generated by infrastructure construction and maintenance work is the property of the contractor, or of the person who produces the waste in the eyes of the law, who is therefore obligated to comply with applicable law and regulations governing producers of hazardous waste. Station management and operations account for most of the hazardous waste generated by Adif AV.

The hazardous waste generated by Adif is stored at Waste Storage Centres (WSC), with a total of 59 centres on the peninsula as at 31 December 2020. The waste is then removed by authorised local waste management companies and typically recycled, recovered or otherwise valorised.

On 1 January 2011, the corporate hazardous waste management model came into effect to optimise the management of hazardous waste at Adif. This model centralises the management of hazardous waste at the Environment Sub-Department, which is tasked with arranging the services of authorised managers and transporters, coordinating waste collection activities and processing all documentation required by the autonomous regions of Spain in connection with the management of hazardous waste).

The Environment Sub-Department is Adif AV's advisory body on matters relating to the management of hazardous waste. In 2020, it resolved 104 queries from the business units related to waste characterisation, identification and classification, how it must be stored and the documents to be drawn up and kept in connection with the production and management of hazardous waste.

Adif AV has a **hazardous waste management system** in place, with the following procedures and instructions:

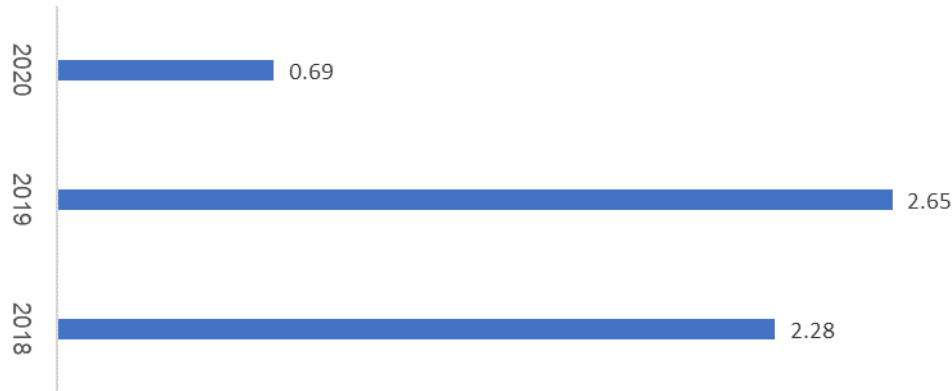
- General Procedure ADIF-PG-109-001-022 "Waste management at Adif and Adif AV"
- Specific Procedure ADIF-PE-109-001-022 "Centralised waste management at Adif and Adif AV"
- Technical Instruction ADIF-IT-109-001-021 "Use and maintenance of the WSCs of Adif and Adif AV".

While most of the hazardous waste is managed through the corporate model, the business units also carry out waste management on a decentralised basis by arranging for final waste management companies to collect certain types of waste.

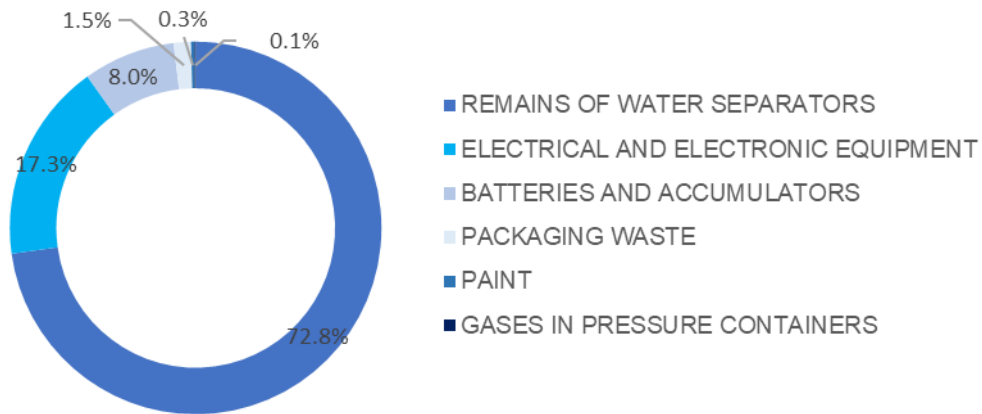
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

In 2020, Adif AV generated a total of 0.687 tonnes of hazardous waste, significantly down on the figure reported a year earlier (73.96%). Moreover, 100% of the hazardous waste was managed through the corporate management model.

### HAZARDOUS WASTE GENERATED DURING INFRASTRUCTURE OPERATION AND MAINTENANCE (t)

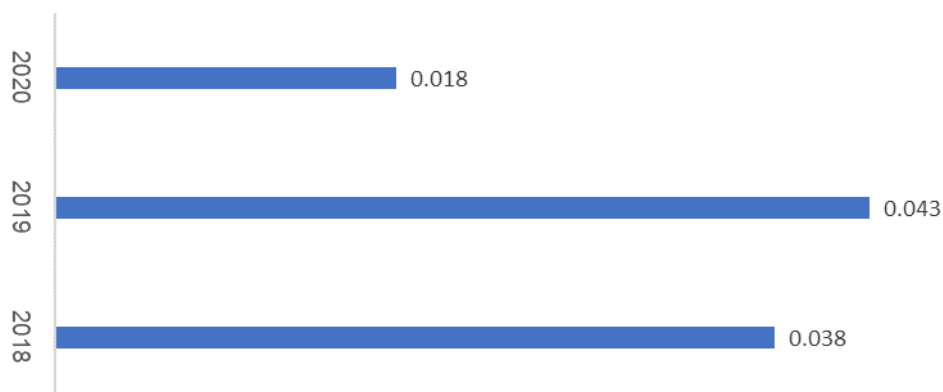


In 2020, waste was generated in six categories out of the 25 existing waste categories describing waste generation at Adif AV. The remains of hydrocarbon separators, electrical and electronic equipment and batteries and accumulators accounted for 98.11% of the total amount of hazardous waste generated in 2020, with the distribution by category shown below.



Due to the activities that Adif AV carries out, intensity of hazardous waste generation serves as an eco-efficiency indicator that measures the relationship between the growth of the business and the generation of hazardous waste. In 2020, the intensity of waste generation was 0.018 tonnes of waste/million train-km (PCB, asbestos and sanitary waste are not included in the calculation as they are not generated directly by Adif AV's own business activities).

### HAZARDOUS WASTE GENERATION INTENSITY (T WASTE/MILLION TRAIN-KM)



As for the end destinations of hazardous waste, managers are selected to ensure the best available final treatment for each type of waste. As a second criterion, Adif AV insists that waste is collected by management companies located as close as possible to the storage centres, typically using collectors based in the same autonomous community as the generation centres. In 2020, the end destination of all the hazardous waste generated was recovery.

#### Commercial waste

Commercial and domestic waste is generated mainly at Adif AV stations as a result of passenger traffic and all the commercial and catering activities that take place at the establishments located there. This waste is usually collected by public cleaning or waste collection services.

#### Dumping and discharges

The most significant volume of wastewater is that deriving from the use of public bathrooms in train stations. At the busier stations, the sanitary wastewater is discharged to the public sewage network and sent to the corresponding treatment facilities. In the rest of the stations comprising the conventional network, work is underway to replace the existing cesspits with connections to the municipal sewage networks.

#### Circular Spain 2030. Spanish Circular Economy Strategy<sup>5</sup>

Adif and Adif AV lent their full support to the Ministry for Ecological Transition and the Demographic Challenge in drawing up the Spanish Circular Economy Strategy 2030, which was approved by the Spanish Cabinet in June 2020.

They also took part in defining the **I Circular Economy Action Plan for 2021-2023** which falls within the scope of the Strategy, by contributing six initiatives in the following realms: Consumption, Waste Management, Secondary Raw Materials Market and Employment and Training.

The following **projects** were ultimately selected to form part of the Action Plan:

- Drawing up a **Catalogue of environmental and social criteria** for railway infrastructure to facilitate its incorporation into procurement processes so that Adif and Adif AV can

<sup>5</sup> Information common to both Companies: Adif and Adif AV

champion the principles enshrined in the Circular Economy and Green Public Procurement in a horizontal and cross-cutting manner.

- **Ecomilla** project, which seeks to promote sustainable mobility in urban environments by facilitating door-to-door travel (from start point to railway station and from there to destination) through an efficient mode of transport with zero or very low emissions.
- **Efficient management of surplus land from railway infrastructure work** to allow for the environmental recovery of degraded environments or their reuse in other construction projects.
- **Measures to improve the reuse of topsoil on construction sites for landscape restoration and integration** following the impact of railway work.
- Promoting the **use of sustainable materials and management techniques** at railway stations.
- **Comprehensive programme for the social recovery of disused railway assets**, to generate value through entrepreneurship or public service projects.

### 5.5.6. Biodiversity protection

As part of its environmental management effort, Adif AV prioritises biodiversity protection on account of the large expanses of land devoted to the network and facilities managed by AV Adif. The operational rail network spans 3,568 km in total and occupies an area of approximately 11,418 ha, implying an area of influence of an estimated 33,052 ha.

Based on 2005 data, the last year for which this information is available, 11.11% of the rail network (in length) managed by Adif and Adif AV affected nature protection areas or other areas with some form of environmental protection order.

In order to comply with prevailing legislation with respect to biodiversity, the Company ensures that all of its construction projects and activities meet the requirements stipulated in its environmental impact statements (EISs).

In 2020, Adif AV carried out **207 environmental review reports** in relation to the environmental management of its projects, including **18 environmental adjustment reports** in accordance with prevailing environmental legislation.

In relation to the environmental management of its construction projects, in 2020 Adif AV drew up a total of **190 environmental monitoring reports** on projects not subject to an EIS and **412 periodic regulatory reports on environmental monitoring** of construction projects subject to an EIS.

### Plan for the prevention of fire on or in the vicinity of tracks

The measures designed to prevent forest fire hazards are set down in a nationwide **Plan for the prevention of fire in or in the vicinity of tracks**. That Plan, drawn up in keeping with fire prevention regulations, identifies risk factors, risk areas and preventive and corrective actions; it also makes recommendations for pruning and welding operations and working with hot axle detectors.

Since 2006 Adif AV has been entering into collaboration agreements with the regional governments covering the joint development of prevention plans and the extinction of forest fires, as necessary, in areas close to rail platforms, all of which framed by the above Plan.

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Under those agreements, the Company undertakes to roll out so-called self-protection plans designed to safeguard and conserve the facilities it owns and prevent the foreseeable consequences of possible fires in forested areas or within town limits.

Irrespective of the measures adopted by Adif AV, the railways, drivers and traffic management all play effective roles not only in detecting but also extinguishing forest fires close to its infrastructure.

The railway routes themselves serve as firewalls while rail staff can often spot fires early on, raising the alarm through the command centres and Adif AV's 24H Network Management Centre to the various fire-fighters in the various jurisdictions.

### KEY FIRE PREVENTION MEASURES AND ACTIONS

- Control over the train braking systems.
- Surveillance of track work involving ignition sources.
- Regular surveillance that the train axle temperature detectors are working properly, that their path through the trains is clear and protocol in the event of alarms.
- Chemical and mechanical clearing of vegetation and other rubbish from the sides of the tracks.
- Surveillance of trains when going through the stations to determine whether there are any anomalies.

In 2020, there were no fires along the sides of tracks in the high-speed network caused by facility faults or line maintenance work.

	2018	2019	2020
Resources earmarked for fire prevention (€)	1,027,737	2,230,719	2,897,854
Fires	0	0	0

### Environmental management indicators for design and construction

#### ❖ On infrastructure projects

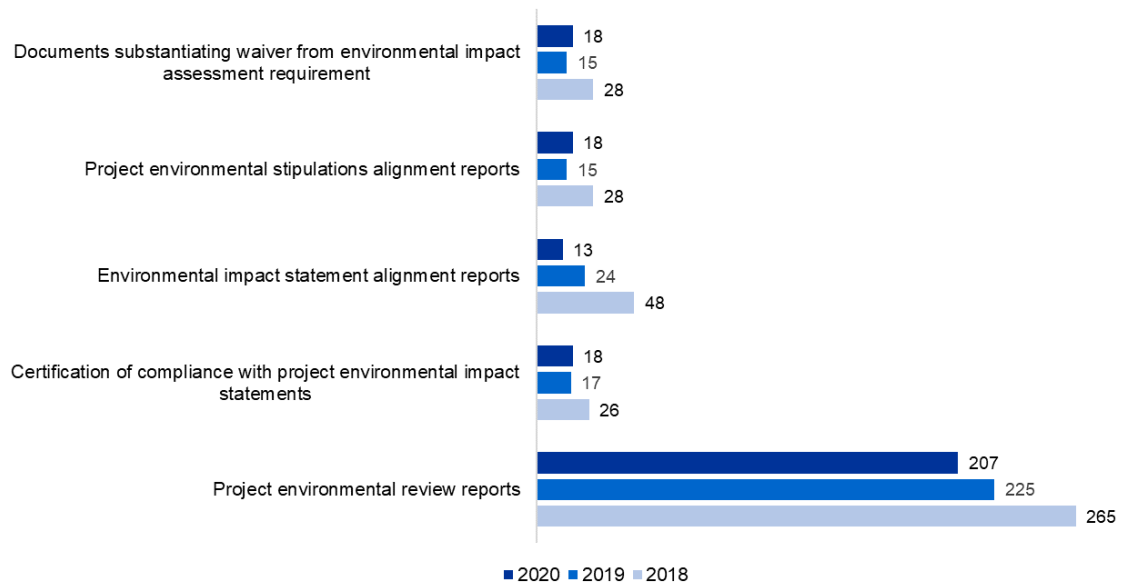
The Ministry of Transport, Mobility and Urban Agenda has delegated the power to approve the projects mandated to Adif AV in the state-owned enterprise's Chairperson's Office. As set down in Adif AV's charter, the Company has to supervise the projects it approves and to certify compliance with the corresponding environmental impact statements or reports, as warranted.

Adif AV, in its capacity as decision-making body for the purposes of environmental impact assessment legislation, plays a crucial role in ensuring that rail infrastructure is compliant at the planning and execution stages. As a result, all projects' environmental integration specifications are supervised to ensure compliance with the terms of prevailing environmental laws and regulations and Adif AV's own internal recommendations.

The following diagram shows the trend in project-related environmental management indicators over the last three years:

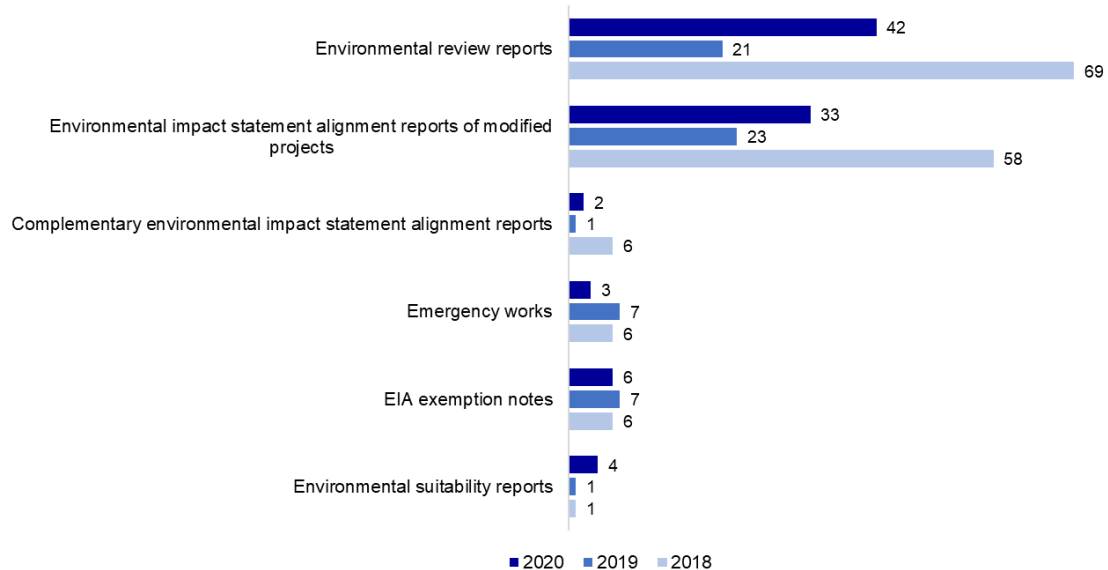
## Design phase:

### COMPLIANCE WITH ENVIRONMENTAL LEGISLATION



## Construction phase:

### COMPLIANCE WITH ENVIRONMENTAL LEGISLATION



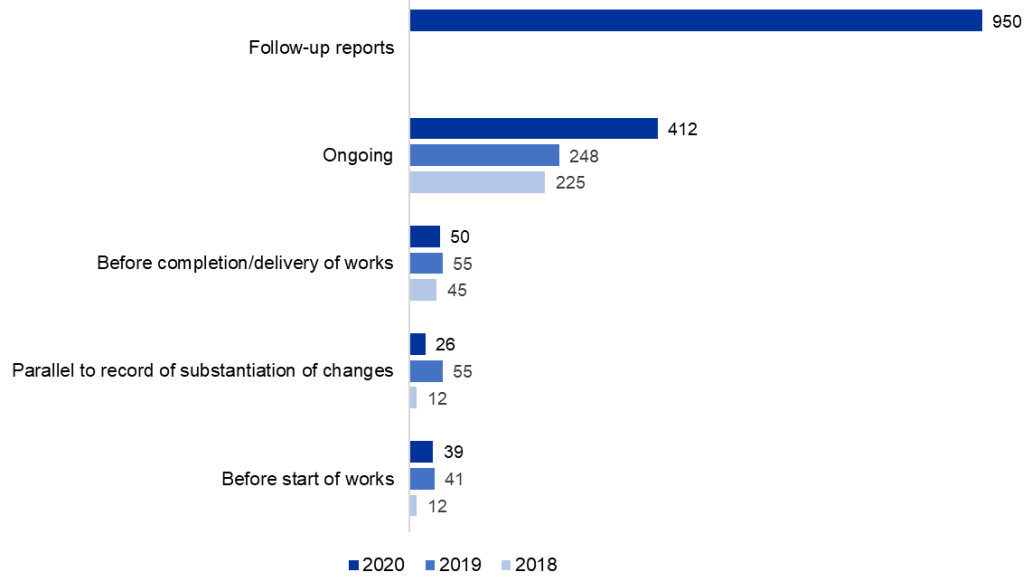
### ❖ Environmental monitoring of construction work:

Since 2005, the Company has closely monitored all construction work subject to an EIS through its Environmental Site Managers. Since mid-2018 there has been increased environmental monitoring of maintenance work on the high-speed network not subject to an EIS through the Environmental Site Supervisors.

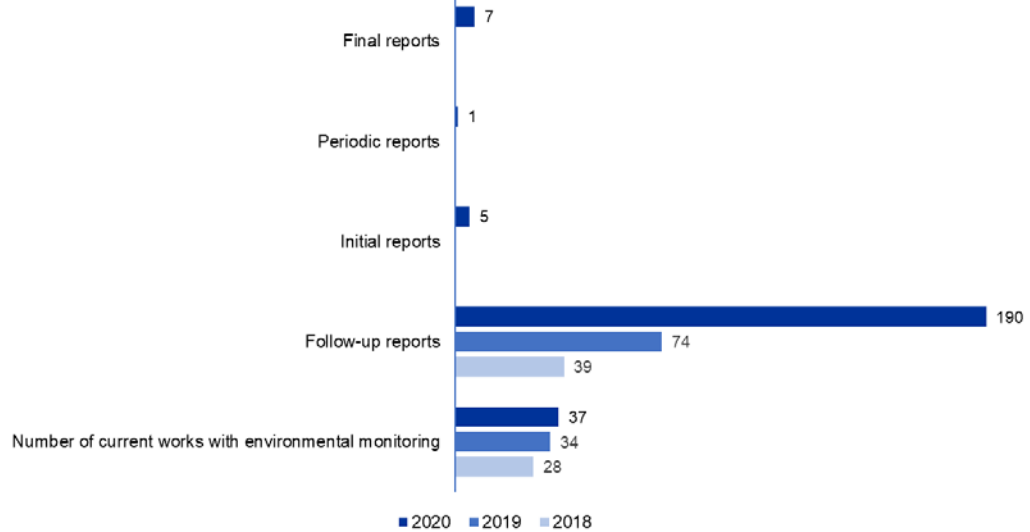
The following diagram shows the trend in construction-related environmental management indicators over the last three years:

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### REGULATORY REPORTS RELATED WITH ENVIRONMENTAL OVERSIGHT OF WORKS WITH ENVIRONMENTAL IMPACT STATEMENT



### ENVIRONMENTAL MONITORING OF WORKS NOT REQUIRED TO ISSUE AN ENVIRONMENTAL IMPACT STATEMENT



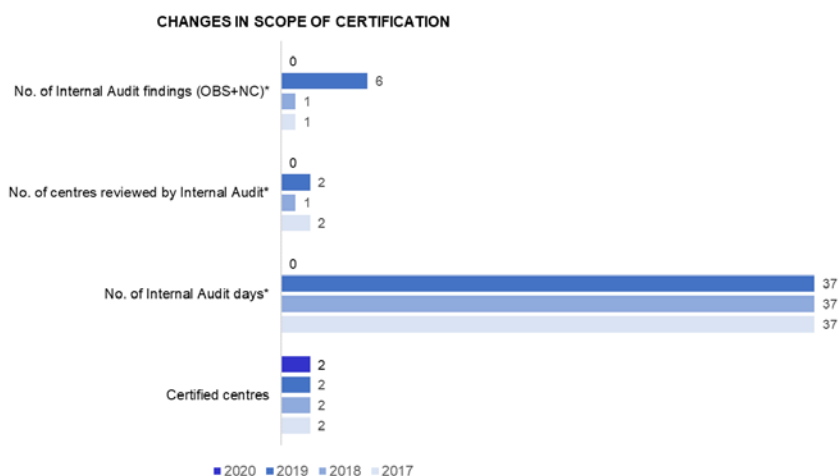
#### ❖ In railway operation

Delivering on commitments to continuous environmental improvement, based on the implementation, certification and regular auditing of management systems under ISO 14001 – Environmental Management, is a key point of Adif AV's Environmental Policy. This certification requires Adif AV to incorporate environmental concerns into its management model and the scope of the system covers the vast majority of operational activities carried out across the territory in relation to the maintenance and operation of railway infrastructure.

Adif AV's Management System undergoes continuous improvement and coordination in accordance with UNE-EN ISO 14001 by continuously reviewing the adequacy of documentation, analysing environmental concerns as they arise, regularly checking compliance with environmental legal requirements, periodically verifying the degree of implementation of the

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

management system through internal audits, and increasing the scope of the certification process. Changes in the scope of certification at Adif AV in recent years are as follows:



\* The internal audit for 2020 has been transferred to 2021.

	2018	2019	2020
Percentage of passengers at stations certified under environmental management standard ISO 14001 in respect of total passengers at Adif AV stations	46%*	59.3%*	58.6*

(\*) At stations managed by the Corporate Business and Commercial Operations Department.

### 5.6. The team

For Adif AV, its employees are people first and employees second. With that premise in mind, it works to provide its team with an attractive environment in which to develop their careers, including the ability to achieve work-life balance. The basic management principles are the provision of equal opportunities, transparency and workplace health and safety.

#### PUBLIC EMPLOYMENT TENDER

The Call for Jobs in the Public Sector was announced in 2020. A total of 327 applications were received and are currently being processed as at the date of this report. The aim is to cover three openings with this call.

A further five positions were announced as part of an inter-government calls for applications, attracting a total of 24 applications.



## INTERNAL MOBILITY

In 2020, the final decisions were cast in relation to the call for applications under the 2019 global internal mobility process.

Adif AV workers took part in this process alongside Adif workers as both groups were eligible for all the positions. More precisely, a total of 20 vacancies were awarded at Adif AV. Of these awards, three were for operational staff in three different categories, 11 for technical staff in seven different posts and six for technicians.

Adif AV is presently carrying out the 2020 global internal mobility process. Adif and Adif AV workers alike are taking part in the process as both groups are eligible for all the positions.

A total of 71 Adif AV workers have submitted 86 applications between them.

## PARTIAL RETIREMENT

In 2020, four workers took partial retirement, involving a 75% reduction in their working hours.

### 5.6.1. Employees

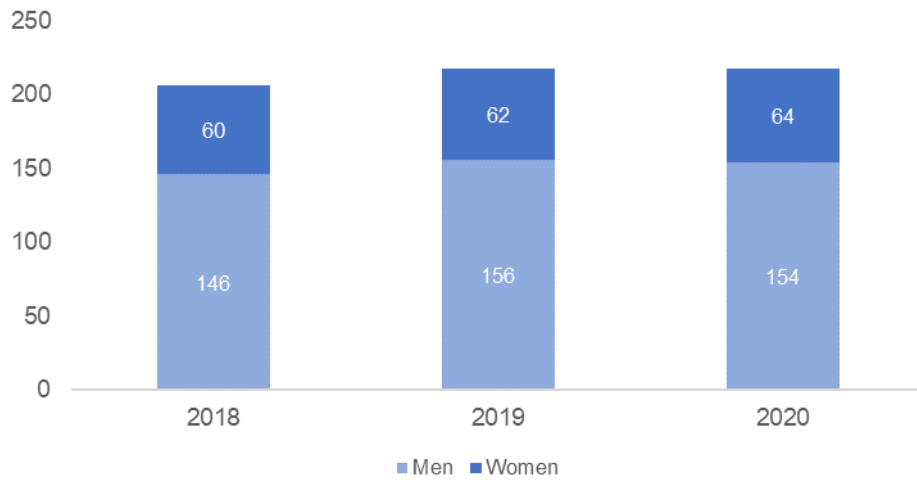
As set down explicitly in its strategic objectives, people management is a core aspect of the Company's activity. Adif AV believes that its employees' satisfaction, productivity, talent and engagement is key to delivery of the Mission, Vision and Values defined in its 2020 Transformation Plan. At 31 December 2020, Adif AV had 218 employees, broken down as follows:

Management area	Men	Women	Total
HS Construction	116	52	168
Telecommunications	27	9	36
Electricity	6	2	8
Rail Traffic Safety	4	1	5
Corporate Centre and General Services	1	-	1
<b>TOTAL</b>	<b>154</b>	<b>64</b>	<b>218</b>

The trend in the headcount by gender during the last three years is as follows:

In 2020, Adif AV's workforce was made up of **218 employees**, the same as in 2019.

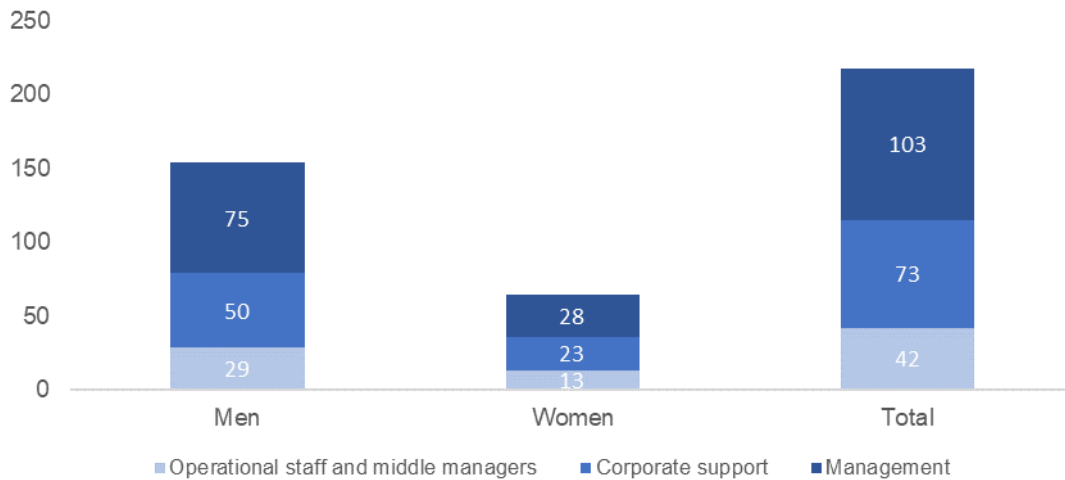
## TREND IN HEADCOUNT BY GENDER



The breakdown of the headcount by job category is provided below:

95.87% of employees have a **permanent contract** and 88.88% work on a **full-time basis**.

## BREAKDOWN OF HEADCOUNT BY JOB CATEGORY 2020



Some **19.26%** are **operational staff and middle management**, while **80.74%** belong to the **support and management structure**.

**Women** account for **29.36%** of the total workforce, slightly higher than in 2019.

By **age and length of service**, the headcount breaks down as follows:

Age	Men	Women	Total
Up to 35	4.59%	0.46%	<b>5.05%</b>
Between 36 and 50	40.82%	18.81%	<b>59.63%</b>
Over 50	25.23%	10.09%	<b>35.32%</b>

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Length of service (years)	Men	Women	Totales
Between 0 and 11	23.39%	8.72%	<b>32.11%</b>
Between 12 and 19	29.82%	14.22%	<b>44.04%</b>
Between 20 and 27	4.59%	2.75%	<b>7.34%</b>
Between 28 and 35	2.75%	1.83%	<b>4.58%</b>
Over 35	10.09%	1.84%	<b>11.93%</b>

Adif AV's employees are **located** throughout mainland Spain:

Autonomous Region	TOTAL	MEN	WOMEN
GRANADA	3	2	1
MÁLAGA	3	3	0
SEVILLE	9	7	2
<b>ANDALUSIA</b>	<b>15</b>	<b>12</b>	<b>3</b>
CUENCA	1	1	0
<b>CASTILE-LA MANCHA</b>	<b>1</b>	<b>1</b>	<b>0</b>
LEÓN	7	6	1
VALLADOLID	3	2	1
<b>CASTILE AND LEÓN</b>	<b>10</b>	<b>8</b>	<b>2</b>
BARCELONA	8	6	2
<b>CATALONIA</b>	<b>8</b>	<b>6</b>	<b>2</b>
BADAJOS	1	1	0
CÁCERES	1	1	0
<b>EXTREMADURA</b>	<b>2</b>	<b>2</b>	<b>0</b>
MADRID	168	114	54
<b>AUTONOMOUS REGION OF MADRID</b>	<b>168</b>	<b>114</b>	<b>54</b>
MURCIA	7	6	1
<b>MURCIA</b>	<b>7</b>	<b>6</b>	<b>1</b>
BISCAY	3	1	2
<b>BASQUE COUNTRY</b>	<b>3</b>	<b>1</b>	<b>2</b>
ALICANTE	2	2	0
VALENCIA	2	2	0
<b>VALENCIAN COMMUNITY</b>	<b>4</b>	<b>4</b>	<b>0</b>
<b>TOTAL</b>	<b>218</b>	<b>154</b>	<b>64</b>

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Non-financial information (Law 11/2018 of 28 December)	Descriptive text	Outcome / impact indicators				
		QUANTITATIVE FIGURES				
		Description of indicator	Unit	2018	2019	2020
<b>SOCIAL AND EMPLOYEE-RELATED MATTERS</b>	Distribution of employees by professional category	Operating staff and middle management	No. of workers	30	43	42
		Support structure	No. of workers	69	63	73
		Management structure	No. of workers	107	112	103
	Measures the degree of retention and attraction of management personnel. Useful for achieving strategic management at the Company.	Manager retention rate	$(\text{Hires} + \text{Departures}) * 100 / 2$ / Average number of employees without counting staff engaged in ticket sales activity, which was transferred to the RENFE Group in 2017.	0.25	1.87	0.54
	Measures the turnover rate of the workforce, regardless of the employee's role	Workforce retention rate	$(\text{Hires} + \text{Departures}) * 100 / 2$ / Average number of employees without counting staff engaged in ticket sales activity, which was transferred to the RENFE Group in 2017.	3.64	7.11	17.24
	New hires	New employees (Public Sector Job Openings)	Workforce growth in the period (no. of additional workers)	0	8	5
	Collective bargaining	Collective bargaining	No. of collective agreements in effect	1	1	1
		Employees covered by collective agreement	% of employees covered by collective bargaining	48.06	50.96	52.75

Adif AV fosters and promotes stable and quality employment among its employees. As a result, almost all employees have permanent, full-time contracts. The breakdown of contracts among the workforce by gender, age and professional category is as follows:

Employment contracts by type	2020
Permanent	209
Temporary	9

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Part-time	0
<b>TOTAL</b>	<b>218</b>

Gender	Permanent	Temporary	Part time	TOTAL
Men	146	8	6	<b>154</b>
Women	63	1	1	<b>64</b>
<b>TOTAL</b>	<b>209</b>	<b>9</b>	<b>7</b>	<b>218</b>

Age	Permanent	Temporary	Part time	TOTAL
Up to 35	6	5	0	<b>11</b>
Between 36 and 50	127	3	1	<b>130</b>
Over 50	76	1	6	<b>77</b>
<b>TOTAL</b>	<b>209</b>	<b>9</b>	<b>7</b>	<b>218</b>

Job category	Permanent	Temporary	Part time	TOTAL
Management	103	0	4	<b>103</b>
Corporate support	73	0	1	<b>73</b>
Middle management	26	1	2	<b>27</b>
Operational	7	8	0	<b>15</b>
<b>TOTAL</b>	<b>209</b>	<b>9</b>	<b>7</b>	<b>218</b>

The **average annual number of permanent, temporary and part-time contracts by gender, age and job category** is as follows:

2020		<51 YEARS OF AGE		>50 YEARS OF AGE		TOTAL 2020	
Job category	Contract type	Men	Women	Men	Women	Men	Women
Operational	Permanent	0.08		2.00	5.00	2.08	5.00
Operational	Permanent, part-time						
Operational	Temporary	8.00	1.50	1.25		9.25	1.50
MM	Permanent	16.17	2.00	3.25	5.42	19.42	7.42
MM	Permanent, part-time			0.33		0.33	0.00
MM	Temporary, part-time	1.25			0.33	1.25	0.33
Support	Permanent	26.33	17.17	18.75	3.00	45.08	20.17
Support	Permanent, part-time			0.08		0.08	0.00
Management	Permanent	34.75	18.42	39.67	10.25	72.42	28.67
Management	Permanent, part-time			2.42	0.08	2.42	0.08
<b>TOTAL</b>		<b>86.58</b>	<b>39.08</b>	<b>67.75</b>	<b>24.08</b>	<b>154.33</b>	<b>63.17</b>

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

2019		<51 YEARS OF AGE		>50 YEARS OF AGE		TOTAL 2019	
Job category	Contract type	Men	Women	Men	Women	Men	Women
Operational	Permanent			2.00	5.00	2.00	5.00
Operational	Permanent, part-time			0.58		0.58	0.00
Operational	Temporary	0.50				0.50	0.00
MM	Permanent	12.50	1.00	5.00	5.58	17.50	6.58
MM	Permanent, part-time			1.00		1.00	0.00
MM	Temporary, part-time	2.92			1.00	2.92	1.00
Support	Permanent	25.42	17.58	20.75	3.00	46.17	20.58
Support	Permanent, part-time					0.00	0.00
Management	Permanent	33.75	17.42	45.08	10.00	78.83	27.42
Management	Permanent, part-time			2.92		2.92	0.00
<b>TOTAL</b>		<b>75.08</b>	<b>36.00</b>	<b>77.33</b>	<b>24.58</b>	<b>152.42</b>	<b>60.58</b>

In 2020, **average remuneration by job category and gender** was as follows:

Average remuneration by job category		
Management	Average wage	Gender pay gap*
Women	59,160.04	7.81%
Men	64,173.21	
Corporate support	Average wage	Gender pay gap*
Women	51,906.51	-5.05%
Men	49,409.29	
Middle management	Average wage	Gender pay gap*
Women	33,835.25	-5.18%
Men	32,169.03	
Operational	Average wage	Gender pay gap*
Women	31,152.35	-20.37%
Men	25,879.55	

(\*) Calculated as:  $\frac{\text{Average remuneration of men} - \text{Average remuneration of women}}{\text{Average remuneration of men}} \times 100$

Average remuneration by age	Men	Women
Up to 35	26,257.64	23,487.27
Between 36 and 50	47,763.69	48,474.45
Over 50	54,114.09	44,810.42

The labour legislation and pay tables applied by Adif AV rule out any manner of gender discrimination. The difference in the average remuneration between men and women is attributable to the later incorporation of women into the workforce, a phenomenon that affects Adif and Adif AV in particular. As a result, the gender pay gap will foreseeably narrow in the coming years, with the average pay received by male and female employees converging.

Pursuant to Article 21 of Royal Decree 1044/2013 of 27 December 2013, which enacted the Company's charter, the members of the Board of Directors receive no remuneration in the form of attendance fees for attending board meetings or for any other concept or item.

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

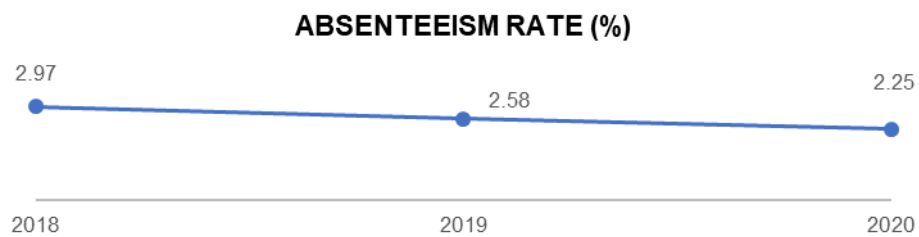
When it comes to integrating people with disabilities, 0.46% of Adif AV's workforce had some kind of disability in 2020 (one employee), the same as in 2019.

There were no employee redundancies at Adif AV in 2020, as in 2019.

### 5.6.2. Organisation of work

The collective bargaining agreement of Adif and Adif AV stipulates the number of hours to be worked during the year. There are different timetables and shifts depending on the position and work to be performed.

In 2020, absenteeism, measured as the percentage of absences over the theoretic number of working days, was 2.25% (9,789 hours), which was down 0.33% from 2019. The trend in absenteeism during the last three years is shown below:



## INCENTIVES AND COMPANY BENEFITS

In addition to variable remuneration pegged to different targets to be met by the people working in the company (transversal personal, contribution to the team and skillset), Adif AV provides employees covered by the collective agreement with a wide range of benefits to help them balance their work and personal life, plus a variety of non-remunerative perks and benefits, such as:

- Health promotion: medical check-ups, preventive medicine campaigns, financial aid towards extraordinary medical expenses, vaccination campaigns, further remuneration for temporary incapacity from work to complement minimum Social Security payments, support for drug and alcohol addiction, etc.
- Life insurance.
- Transport cards for free travel on commuter and regional trains and reduced rates for major and high-speed lines.
- Aid for children with disabilities.
- *Ex-gratia* aid and assistance for temporary disability.
- Death benefits.
- Advance payments: up to 3 months' pay.
- Legal protection: in the event of rail accidents in which criminal liability could be determined.
- Family placement and guardianship for legally incompetent adults.
- Common-law partners: entitled to same benefits as married couples, regardless of their sexual orientation.
- Movement to new jobs upon loss of function.
- Job mobility so as to reunite with spouse or life partner.
- Service benefits and/or discounts: banking, leisure, travel, housing, etc.
- Job announcement board.

The new indicators of the I Adif AV Equality Plan include figures on leave taken following the birth of a child.

	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Employees who have taken maternity leave	0	0	0	0	0	4
Employees who have taken paternity leave	0	0	1	0	2	0
<b>TOTAL</b>	<b>0</b>		<b>1</b>		<b>6</b>	

### 5.6.3. Labour relations

Adif AV engages with its employees by means of regular meetings between management and the various committees and other worker representation bodies with decision-making powers:

- **Works Councils and Staff Delegates:** Works Council in Madrid and staff delegates located in Seville, León and Barcelona. The council holds bimonthly meetings with management to discuss matters that fall within its territorial remit.
- **Health and Safety Committee:** management-employee body for all matters relating to workplace health and safety.



- **Traffic Safety Committee:** consultation body that deals with technical aspects related with traffic safety; they also approve plans and track specific indices.
- **Training Advisory Board:** tasked with drawing up and monitoring the Adif AV Training Plan.
- **Benefits Policy and Equality Committee:** this body manages and monitors Company benefits in depth, recommends lines of initiative and manages the tracking of the key performance indicators related with equal opportunities and discrimination. In 2019 it approved Adif AV's first ever Equality Plan, which was then ratified unanimously by all members of the Bargaining Committee and published in the BOE (Official State Gazette).
- **Labour Disputes Committee:** this committee mediates in and resolves conflicts arising in the interpretation and application of the collective bargaining agreement and when strike action is called.

The II Collective Bargaining Agreement runs from 1 January 2019 through to 31 December 2023, though it may be extended until 31 December 2025 if the parties agree.



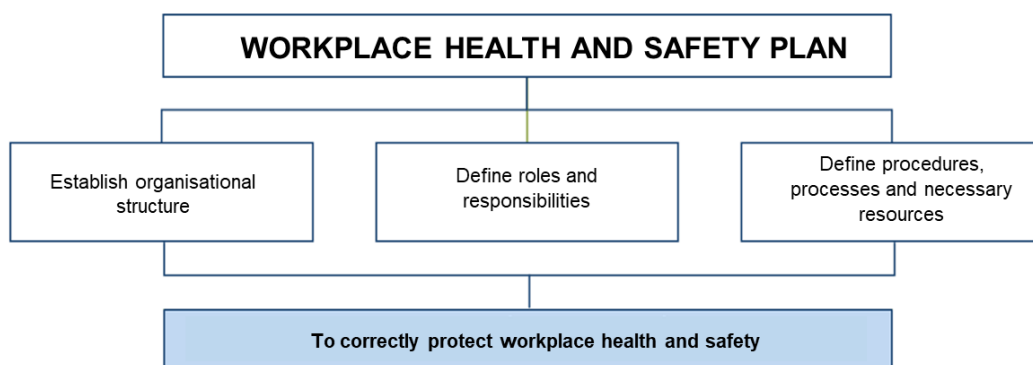
The II Collective Agreement of Adif and Adif AV was signed on 9 May 2019.

The agreement includes, among other measures, those relating to flexible working hours, other employee matters, and equality and work-life balance, which go beyond the measures provided for under labour law and regulations. It also establishes various committees (employment, regulations, professional organisation, working hours and work-life balance) to work towards strategic aspects of the transformation, including the development of the new professional organisation model structured into professional groups as the Company seeks to adapt functions and operational environments to successfully overcome the challenges ahead.

52.75% of Adif AV employees are covered by the **Collective Agreement**.

### 5.6.4. Workplace health and safety

As stipulated in article 16 of Spanish Law 31/1995, on occupational safety, Adif AV has a dedicated Workplace Health and Safety Plan.



Adif AV draws up plans for its accident prevention effort annually with different objectives:

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

### - OBJECTIVES OF THE HEALTH AND SAFETY PLANNING EFFORT -



The main lines of initiative pursued on the workplace health and safety front in 2020 were:

- Workplace safety training: 1,564 hours of training, compared to a planned 245 (post-COVID-19), implying a compliance ratio of 639.4%.
- A technical workshop on workplace health and safety.
- Internal audit programme: 2 scheduled audits were carried out.
- Health controls: Health check-ups and psychophysical tests. In 2020, Adif AV conducted 4 check-ups and 21 psychophysical tests. Seven medical campaigns and one vaccination campaign were also carried out.

There were no lost workdays due to commuting incidents, compared to one in 2019. Moreover, no fatalities were reported.

			Accidents	Commuting incidents	Relapses	Occupational diseases
2018	Men	Lost time	0	0	0	0
		No lost time	4	0	0	0
	Women	Lost time	0	0	0	0
		No lost time	0	1	0	0
	Total	Lost time	0	0	0	0
		No lost time	4	1	0	0
2019	Men	Lost time	0	0	0	0
		No lost time	2	0	0	0
	Women	Lost time	0	1	0	0
		No lost time	2	0	0	0
	Total	Lost time	0	1	0	0
		No lost time	4	0	0	0
2020	Men	Lost time	0	0	0	0
		No lost time	0	0	0	0
	Women	Lost time	0	0	0	0
		No lost time	0	0	0	0
	Total	Lost time	0	0	0	0
		No lost time	0	0	0	0

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

		2018	2019	2020
Accident severity rate*	Men	0	0	0
	Women	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accident frequency rate**	Men	0	0	0
	Women	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
Work accident rate***	Men	0	0	0
	Women	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

(\*) Severity rate is: (No. of days lost / no. of hours worked) \*1,000

(\*\*) Frequency rate is: (No. of accidents / hours worked) \*1,000,000

(\*\*\*) Work accident rate (No. of accidents \*1.000) / Average no. of workers

Accordingly, there were no lost workdays due to occupational accidents (no-commuting incidents) or occupational diseases.

		2018	2019	2020
Lost workdays due to occupational accidents or diseases*	Men	0	0	0
	Women	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

In 2020, there were two meetings of Adif AV's Workplace Health and Safety Committee, the Company's highest management-employee body on matters relating to workplace health, safety and hygiene, which issues guidelines and instructions on related matters.

Description of indicators		Unit	2018	2019	2020
Social and employee-related matters	Preventive medicine rate	% of employees participating in preventive medicine	21.62	20.42	3.22
	Social aid supplement	Amount (EUR) of social aid (for medical costs) by employee	2,472	793	0

### 5.6.5. Training

Adif AV views training as an activity that helps the various areas deliver their objectives. The Company's overriding goal when it comes to its training effort is to enhance its employees' professional and personal development so that they in turn contribute to its operational excellence. That training effort, in addition to focusing on processes and results delivery, attaches importance to engaging employees with the Company's key values, such as innovation, continuous improvement, excellence, social responsibility and sustainability, among others.

In 2020, a total of **€3,082,230** was invested in **training** at **Adif and Adif AV**.

Training needs are identified jointly by all the areas of activity and the employees' legal representatives. Once those needs have been identified, an Annual Training Plan is drawn up to plan, detail and give shape to the training initiatives to be undertaken during the year ahead.

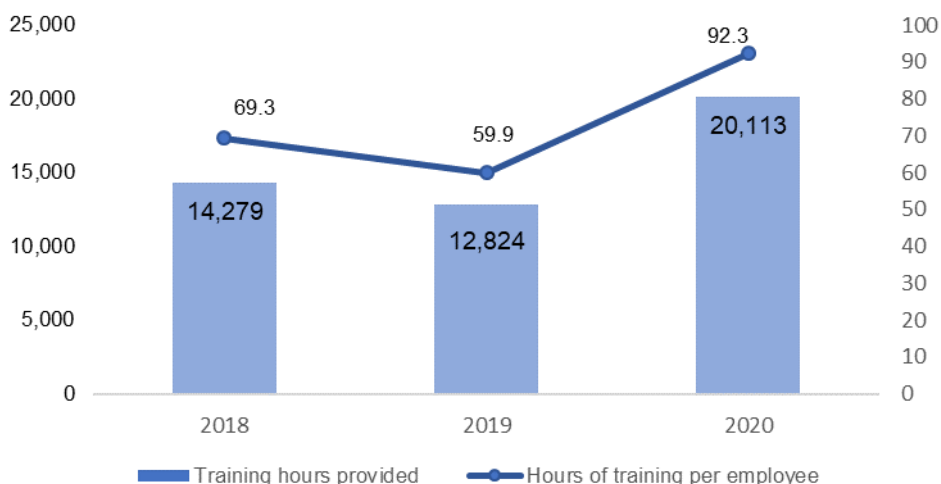
## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Under the annual Training Plan of Adif AV drawn up in 2020, each worker received an average of 92.3 training hours, giving a total of 20,113 training hours. The training programmes were articulated around the specific skills requirements in each business, framed at all times by the Company's Mission, Vision and Values.



In 2020, each employee received **32.4 hours more training on average** than in 2019, equivalent to **7,289 hours** of additional training.

### TREND IN TRAINING HOURS



Job category	Training hours 2018	Training hours 2019	Training hours 2020
Operational personnel	288	71	6,855
Middle management	675	2,727	3,724
Corporate support	7,057	4,750	4,583
Management	6,259	5,277	4,951
<b>TOTAL</b>	<b>14,279</b>	<b>12,824</b>	<b>20,113</b>

To manage the Training Plan efficiently, Adif AV uses a number of IT systems and applications connected up to the network which introduce continuous improvement. It also uses new methodologies and tools to render the training process more effective and efficient, such as simulators, videoconferencing and teletraining. Around 69% of the training provided uses distance methods over various platforms such as the Virtual Training Center, the Virtual Classroom, the Videoconference System and the TV Training Portal, among others. Use of these methods has been stepped up due to the impact of the COVID-19 pandemic, enabling the Company to continue its training activity.

### 5.6.6. Talent management and career development

Adif AV's staff selection processes are regulated in labor legislation for the employees covered by the collective bargaining agreement. In 2020, five people joined Adif AV under the recruitment process for jobs in the public sector. In addition, one person joined the Company through an inter-ministry call for applications.

The **employee turnover rate** increased in 2020 to 17.24 but was down at 0.54 for executive positions.

Adif AV's business success depends mainly on its employees' performance, which in turn depends directly on their satisfaction and motivation. To achieve employee satisfaction and motivation, the role of the organization's leaders is very important: 3C Executive Management is the methodology that articulates and develops Adif's Leadership Model; it is framed by the criteria of transparency, reasonableness and efficiency.

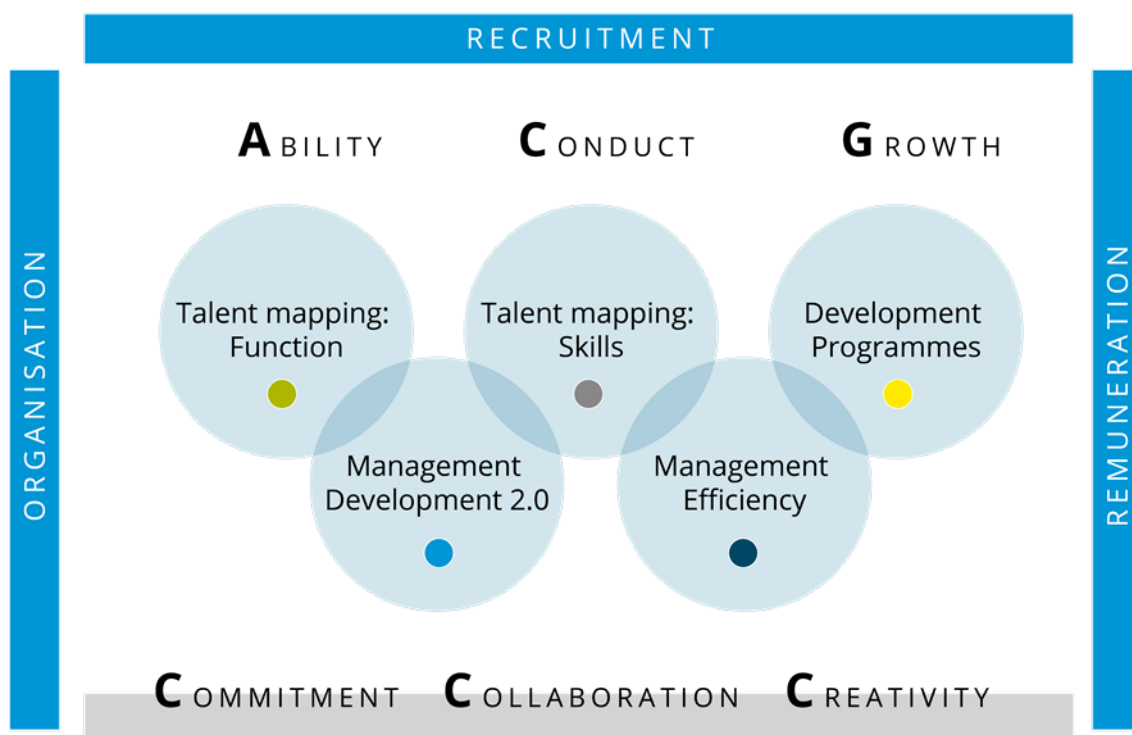
That model manages - systematically - the skills, conduct and growth of the organization's leaders, in a context presided by three Cs: Commitment (acting as ambassadors in respect of delivery of Adif AV's Mission, Vision and Values), Collaboration (as the priority force for improvement) and Creativity (to question and rethink existing paradigms).



**The Leadership Model: 3C Directive Management** seeks to drive the performance of the organisation's leaders.

Since its creation in 2013, a myriad of projects and activities have been undertaken under the umbrella of the programme. In order to reinforce the spirit underpinning the model and make it more powerful, an effort has been made to update its image, with a nod to the Olympic motto *Citius altius fortius* (faster, higher, stronger); the idea is to transmit the importance of improving continuously in order to overcome the unforeseeable developments that will inevitably cross our paths, recalling that there is always room to go further in pursuing the Mission, Vision and Values.

## LEADERSHIP MODEL / 3C DIRECTIVE MANAGEMENT



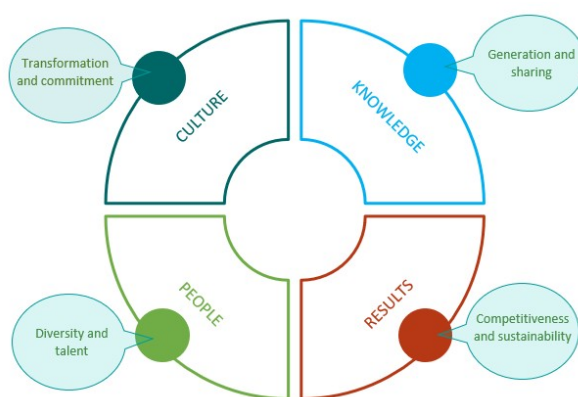
In 2020, we continued to deploy the Skills Management Model - Digital Transformation, launched by the Human Resources Department in 2016 to align the skills in its catalogue with those demanded in the new era of digital transformation.

### COMPETENCY CATALOGUE – DIGITAL TRANSFORMATION

In 2016, Adif AV revised its skills catalogue, which had been in place since 2006, adding skills associated with digital transformation: agility, flexibility, collaboration and cooperation, efficiency, transparency, participation, speediness, etc.

The new catalogue, in effect in 2020, is articulated around four dimensions:

- **Knowledge:** it is not sufficient to acquire and maintain it; it is necessary to generate and share it, leveraging the opportunities afforded by today's information and communication technologies (ICTs).
- **Results:** competitiveness and sustainability underpin this dimension.
- **People:** the ability to manage diversity, which is increasingly broad, and talent, increasingly complex.
- **Culture:** commitment to embrace and transmit permanent and increasingly accelerated transformation that we are currently experiencing.



As in the previous year, the Competency Catalogue – Transformation implemented the 360-Degree Feedback system of 2018 by offering different visions (one's own, one's boss's and that of colleagues and partners) on the performance of those being evaluated, thus allowing them to take stock of their strengths and opportunities, while uncovering aspects which with their own insight alone they might not have been able to pinpoint, facilitating continuous improvement and a culture of talent development.

In 2020, **Average Global Performance at Adif AV** came to **87.37%**, as measured through **426 assessments** (self-assessment and assessment by supervisor, peers and collaborators) conducted among **93 employees**, accounting for over 43% of the workforce (reference workforce: 214).

The Company also continued to apply the Integrated Management by Objectives Model (MBO) in 2020. This model is based on three pillars (transparency, coherence and ease) to enable the development and deployment of company-wide and area-specific objectives to all staff subject to the Objectives System, thus improving levels of engagement among employees with the Company's key objectives. The senior management team is directly involved in formulating the Company's objectives, which are handled with full transparency for both evaluator and evaluatee.

As a result of this performance-based assessment and the Integrated Management by Objectives Model, the Company has continued to entrench its Management Development Community within the Conecta 3.0 platform, which generates its own content related to the development of

competencies and fosters the exchange of knowledge and collective intelligence across the organisation.

In keeping with the results of the performance evaluation exercise, work continued in 2020 to enhance Adif's video on demand TV training portal, which encourages learning, participation and recognition. Below is a description of each of the channels and the results obtained so far. The main takeaway was that the Hits Billboard, which shows the premières airing on each of the channels, reached 124,000 views in 2020.

						
	EXPERIENCIAS DE ÉXITO	En Primera Persona	El Club de la Gestión Directiva	Mi Día en Adif	Cartelera de Éxitos	Gominolas de Formación
	8 seasons	7 seasons	6 seasons	5 seasons	6 seasons	1 seasons
Definition	Professional circumstances or events experienced by the protagonists that led to successful outcomes (2013)	Management processes told by their protagonists (2014)	Humour in monologue format as a persuasive tool (2015)	Put a face to the day. A channel for universalising protagonist (2016)	The showcase, hosted on the corporate website, announcing the premières of the various TV Training Portal channels. (2015)	Training initiative to acquire personal, family, social and professional skills and knowledge (2020)
VIDEOS	228	36	29	28	816	56
VIEWS	56,363	4,727	6,525	7,007	123,791	6,589
COMMENTS	4,803	128	809	211	30,670	44
LIKES	7,398	105	941	347	15,189	39
AVERAGE RATING	4.49 / 5	4.49 / 5	4.59 / 5	4.54 / 5	4.51 / 5	4.71 / 5

Lastly, in 2020, Adif AV pursued certain other noteworthy programmes, including:

### COACHING IN PAIRS

Innovative talent honing practice aimed at unlocking the experience and management skills of people through professional support and accompaniment that is reinforced by self-knowledge and peer learning and ethical commitment, collaboration, trust and horizontality.

The programme was launched in 2015 and features three evolutionary training lines: L1 "Coaching in Pairs", L2 "Coaching Community" and L3 "Internal Coaching", the latter being the one that confers the professional qualification of "Internal Coach". Adif's Coaching programme is certified by the Spanish Association of Executive and Organisational Coaching (AECOP) and in 2019 Adif received the Honorary Award in the AECOP competition in recognition of its work in disseminating a Coaching Culture within the company. A total of 38 people took part in the 2020 programme, distributed across the three training lines. Between them, they carried out 16 development initiatives at different areas and departments of the company. They joined the six people who made up the Accredited Coaches Group and who delivered 15 individual coaching processes within the organisation.





## HORIZON PROGRAMME

With the third and final stage of the PEOPLE WHO CHANGE THE COMPANY programme completed in 2020, a new training and development programme for Management Talent known as HORIZON was launched in 2020, as “a path leading to that point where the best professionals and the greatest achievements become one”. The aim is to further develop executive profiles over the 2020-2030 horizon.

Horizon is a programme that aims to assess leadership potential, improve conduct and unlock executive potential, thus enabling managers to develop and disseminate an effective management culture to successfully meet the challenges of the next decade.

The programme is divided into three levels: LEVEL I: Where am I? Helps one to take stock; LEVEL II: What am I like? Helps one get to know oneself better; and LEVEL III: What do I need to do? Pushes you in the right direction.

## LEAVING A MARK

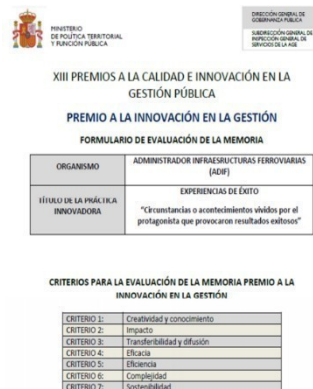
In 2020, the third edition of the Leaving a Mark (dejando huella) programme concluded, featuring 10 authors, and the fourth edition was launched, which will be completed in 2021. "Leaving a Mark" is a programme in which the organisation's veteran executives act as agents for the transmission of knowledge, experience, attitudes and corporate culture in three formats: something to read (a book recommendation), a story to tell (a Powerpoint presentation) and something to watch (a video).



## EXTERNAL RECOGNITION

In 2020 Adif's name was put forward at the 13th edition of the Quality and Innovation in Public Management Awards organised by the Ministry of Territorial Policy and Civil Service.

The Company was competing in the Innovation in Management category, under the name of its franchise series, *Experiencias de Éxito* (Success Stories), in recognition of all the initiatives launched on the TV Training Portal since its inception seven years earlier. While it did not ultimately win the award, it did earn an evaluation report that recognised the value and worth of the initiative and provided useful guidance for further improvement.



ORGANISMO	ADMINISTRADOR INFRAESTRUCTURAS FERROVIARIAS (ADIF)
TÍTULO DE LA PRÁCTICA INNOVADORA	EXPERIENCIAS DE ÉXITO "Circunstancias o acontecimientos vitales por el protagonista que provocaron resultados exitosos"

CRITERIOS PARA LA EVALUACIÓN DE LA MEMORIA PREMIO A LA INNOVACIÓN EN LA GESTIÓN	
CRITERIO 1:	Creatividad y conocimiento
CRITERIO 2:	Impacto
CRITERIO 3:	Transferibilidad y difusión
CRITERIO 4:	Ethica
CRITERIO 5:	Eficiencia
CRITERIO 6:	Complejidad
CRITERIO 7:	Sostenibilidad

### 5.6.7. Equality

Adif AV has always demonstrated its interest in and commitment to participating in and undertaking initiatives in support of gender quality in the workplace, this being a stalwart principle of its people management effort.

The I Adif Collective Bargaining Agreement, which has been in effect at Adif AV since its inception, based on the job protection agreement on occasion of the split of Adif in accordance with Royal Decree 15/2013, marked a milestone in this respect by specifically addressing key issues such



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as work-life balance, hiring and training measures, the creation of a joint equal opportunities and non-discrimination committee, specific anti-domestic violence measures, diagnosis of the state of equality at the Company and negotiation and approval of the organisation's first Equality Plan.

The II Collective Bargaining Agreement of Adif and Adif AV has made further progress on these matters by setting up technical development committees on issues such as regulations, working hours and hours and work-life balance. The agreement also sets annual working hours at 1,642 hours on the basis of eight-hour days and increases death benefits, aid for disabled children and leave of absence to care for dependants. It also establishes a new system of leave to care for relatives up to the second degree of consanguinity or affinity and provides unpaid leave of up to one month for the death of certain family members. Other measures include unpaid leave for assisted reproduction, teleworking arrangements, a new working hours regime and making the new equality plan part of the collective agreement once the terms have been agreed upon.

The I Adif AV Equality Plan was unanimously approved by the Company and all trade unions represented in the Social Policy and Equality Committee of Adif AV. It was then ratified unanimously by the Bargaining Committee of the II Collective Agreement and published in the Official State Gazette of 9 November 2019. The plan envisions multiple actions on the path to achieving various specific objectives: access to employment, equality, working conditions and professional career, training, information and awareness, working hours and work-life balance, remuneration and gender-based violence. The indicators for 2019 and the first half of 2020 are due to be presented and delivered to the trade union representatives sitting on the Social Policy and Equality Committee of Adif AV, although this process has been delayed somewhat due to the pandemic.



### WORK-LIFE BALANCE MEASURES

Adif AV offers employees covered by the collective bargaining agreement work-life balance measures grouped into six categories:

#### General

- **Common-law partners:** common-law partners are afforded the same rights as married couples, regardless of their sexual orientation.
- **Flexible working hours:** new system of flexible working hours and decision to have all employees leave work by 18:00 at many of the company's facilities.
- **Reduction in working days:** agreement reached with the workers' representatives to reduce the number of working days by 10 in 2019 and 2020, in accordance with the provisions of Spain's 2018 state budget.
- **Part-time work.**
- **Paid leave:** for marriage (15 business days), death of family members (from two to six days), to fulfil an inexcusable duty of a public and personal nature, to move from the usual place of residence, unjustified personal matters (three days per working year). Following the signing of the II Collective Bargaining Agreement, the definition of family members has been widened to include the second degree of consanguinity or affinity.
- **Unpaid leave:** between six and ninety days in each calendar year.
- **Holiday leave:** thirty-five calendar days plus public holidays.
- **Voluntary leave:** between four months and five years.
- **Geographical mobility:** to reunite with a spouse or common-law partner and temporary mobility for medical reasons or social or family needs.

#### Specific

- **Maternity protection:** paid leave; change of job when job performance adversely affects the health of the mother and/or child; temporary suspension of employment contracts for at-risk pregnancies; redundancy protection.
- **Birth of a child/adoption/fostering:** shorter working hours; leave during hospitalization and ongoing treatment; paid absence or shorter hours in even of premature birth; paid leave of 2-3 days for birth of a child; extended paternity leave; breast-feeding leave; voluntary leaves of absence; geographic mobility; redundancy protection.

#### Care for family members

- **Leave for guardianship of legally incompetent adults.**
- **Shorter working hours** for legal guardianship or care of a family member.
- **Paid leave:** for serious illness or outpatient surgery. And extended unpaid leave upon the death of certain family members.
- **Leave to take care of a family member** - kinship up to the second degree of consanguinity or affinity.

#### Protection against gender-based violence

- **Shorter working hours;** leaves of absence; geographic mobility; substantiated absenteeism.

#### Training facilitation

- **Priority shift selection.**
- **Paid leave** to take exams leading to professional qualification.
- **Professional training** delivered by Adif AV.

As for work-life balance, the Equality Plan establishes the related initiatives created for and offered to Adif AV employees. All of the work-life balance measures on offer at Adif AV are set down in its rules of employment. Their content can be consulted by all employees via the employee Portal, Inicia.

### PROMOTION OF GENDER EQUALITY

In 2020, Adif AV participated in a number of initiatives in favour of women at work and gender equality:

- Adif AV adheres to the Women's Empowerment Principles of the United Nations, thus demonstrating the Company's commitment to gender equality as an essential principle within its policies and corporate culture.
- Recently, the Company's Management Committee approved a programme of initiatives to be implemented next year in order to foster equality.
- Adif AV adheres to the first edition of the **Target Gender Equality** programme of the United Nations Global Compact. This initiative helps participating companies set and achieve ambitious business goals when it comes to women's representation and leadership, at all levels, through performance analysis, capacity building workshops, peer learning and multi-stakeholder dialogue at national level.

In addition, the Chairwoman of Adif and Adif AV, Isabel Pardo de Vera, participated in a number of events in 2020 designed to contribute to fostering gender equality in society:

- Participation in the LIDERA Programme, a mentoring initiative developed together with the Royal Academy of Engineering. Isabel Pardo de Vera sits on the Strategic Council of the Women and Engineering project, which is part of the same programme and seeks to recognise, activate and unlock the value of female talent.
- Participation in the first National Congress of Women Executives and Businesswomen of the Atlantic (EDA) in Oviedo.
- Participation in the magazine Magas-IN dedicated to the promotion of women, by El Español.
- Interview published in *El Mundo* newspaper. *Mujeres Inspiradoras*, with Gloria Lomana: <https://www.youtube.com/watch?v=I2hFocbzURS>
- Ceremony and new sculpture to pay tribute to women railway workers unveiled at Valencia-Joaquín Sorolla station, as part of the Women's Day celebrations.
- Invited to take part in the programme *Ellas Pueden*, dedicated to gender equality, on Radio 5 aired by RNE.
- Signing of a collaboration agreement with APRAMP to help combat trafficking in women and girls.
- Closing ceremony of the first edition of the LIDERA Programme.
- Participation in the forum *Mujeres en Movimiento. Liderazgo femenino en el transporte y la sostenibilidad* (Women on the Move. Female leadership in transport and sustainability), organised by 50&50 Gender Leadership, an organisation chaired by journalist Gloria Lomana and with the participation of top-level representatives from Metro de Madrid, Aena and Iberdrola España, to coincide with the 87th anniversary of women's suffrage in Spain.
- Participation in CEOE forum *Mujeres Referentes* (Inspirational Women), with the participants of the VIII Edition of the *Promociona Mujer* project, a joint initiative of the CEOE and the Women's Institute to encourage more women to reach senior management positions in companies.

In addition to championing gender equality, Adif AV is against any form of discrimination that could arise in the course of its business activities. Its Code of Ethics and Conduct stipulates that no employee may treat or permit the treatment of another person in a demeaning manner. All forms of conduct that imply contempt and/or harassment for reasons of gender, religion, ethnicity, race, nationality, illness, disability or any other personal, family or social circumstances are forbidden.



Adif has a **protocol outlining what to do in the event of possible sexual or psychological harassment (bullying)**, which was drafted with the agreement of all of its unions. There is also another **protocol dealing with what to do in the event of workplace harassment**. Both protocols are currently under review.

## 5.7. Customer orientation

Adif AV works daily towards satisfying its customers' service needs and maintaining a collaborative relationship with them. In addition to rail service users, its external customers include rail operators, business customers and merchants and foreign governments.

Adif AV is particularly involved in fostering accessibility and service for people with disabilities as this is an area in which it can have a major impact on society. To that end it works continuously to make its infrastructure as accessible as possible for all of its customers.

### 5.7.1. Customer satisfaction

Adif AV has a number of channels for staying in constant communication with its users and other external customers. Its corporate website is the mostly widely used channel. Adif AV provides all of its stakeholders with comprehensive updated information about its activities via the website. As for direct customer channels, it has Customer Service Offices, and dedicated email addresses and telephone lines.

Depending on the customer category, Adif AV gathers feedback using different methods and uses it to establish mechanisms for improving the service it provides:

#### Passengers



According to the results of the latest **study on quality perceived** by passenger station users, the stations have a **score of 7.76 out of 10**.

Adif uses that feedback to continuously improve different aspects of its stations with the aim of offering passengers better service standards. Work is therefore in progress to improve the accessibility of stations and to refurbish and waterproof certain stations, although in 2020 it was ultimately decided not to carry out any User Perceived Quality studies due to COVID-19.

Description of indicators		Unit	2018	2019	2020
<b>DISCLOSURES ON OUR PERFORMANCE WITHIN SOCIETY AND ON PRODUCT LIABILITY</b>	Perceived quality at stations*	points/10	7.62	7.76	N/A
	Perceived quality in freight transport	points/10	7.3	N/A	N/A

\* Customer satisfaction surveys at passenger stations: In 2019, the results of the study on Quality Perceived by Passenger Station Users were presented. No studies were carried out in 2020 to the exceptional situation caused by COVID-19.

### Rail operators



- **Regular contact:** Adif AV strives to find out what these customers think and expect first hand and to identify opportunities for improvement that are good for its business development.
- **Six-monthly satisfaction surveys:** about services provided.

### Merchants



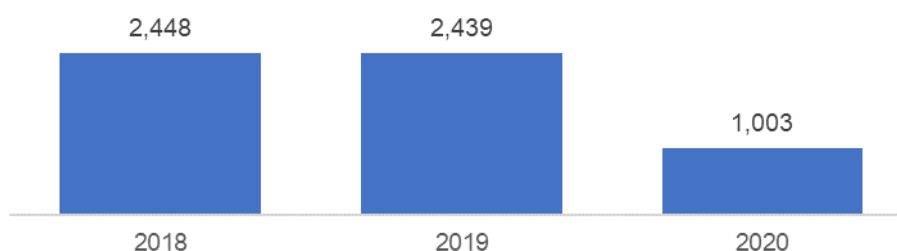
- **Satisfaction surveys:** no surveys were carried out in 2019 as they are biennial events. In 2018, a score of 7.07 was earned.
- **Management and galvanization of station store social media** handles (Facebook, Instagram, Twitter) where merchants collaborate by uploading promotional content and end users participate and engage with the sellers.
- **Annual prize for the best establishment** with a station or Vialia brand.

Adif and Adif AV run a grievances and suggestions service which facilitates communication with customers and helps them to understand their expectations and detect areas where management can be improved, while establishing a protocol for the correct handling of any incidents. It uses a dedicated IT tool to manage all cases (*RECLAMA*). Users receive responses either in writing at their mailing addresses or via email. In addition, the stations themselves have a book of complaints where users can put their complaints on record.

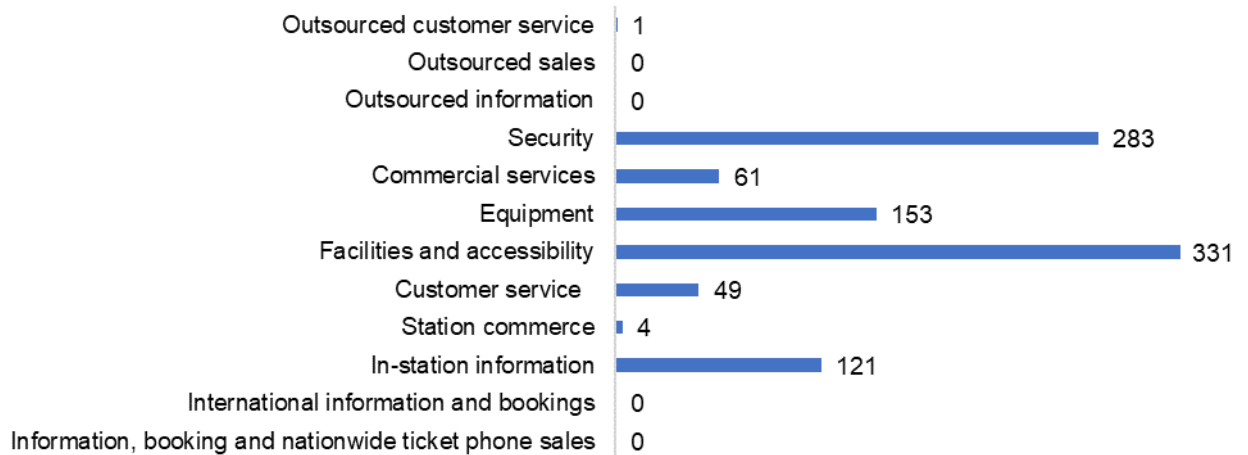
The complaints, claims and suggestions related with potential violations of legal or other requirements, incidents or deviations help Adif AV reach out to its customers, learn more about their expectations and detect ways in which it can manage its stations better. Complaints and claims can be lodged directly at the Passenger Service Offices and are sometimes received by email.

In 2020, a total of 1,003 complaints concerning Adif and Adif AV stations were resolved, while 87 suggestions and 20 compliments were received. This information enables Adif AV to identify possible areas for improvement in a bid to boost customer satisfaction.

### COMPLAINTS RECEIVED IN PASSENGER STATIONS

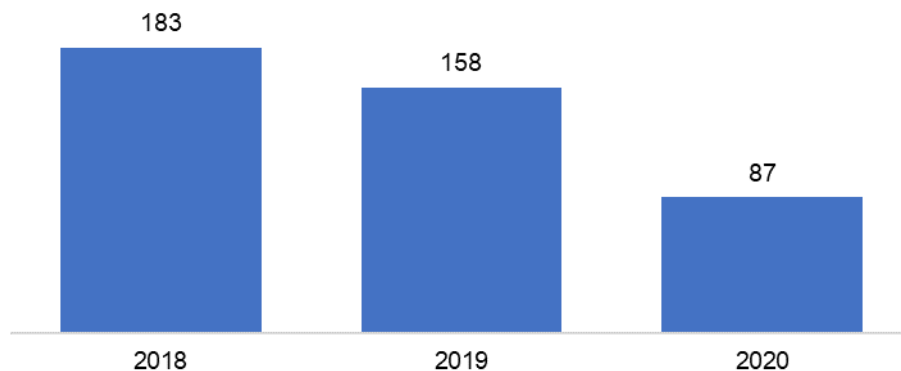


## COMPLAINTS RECEIVED BY TOPIC

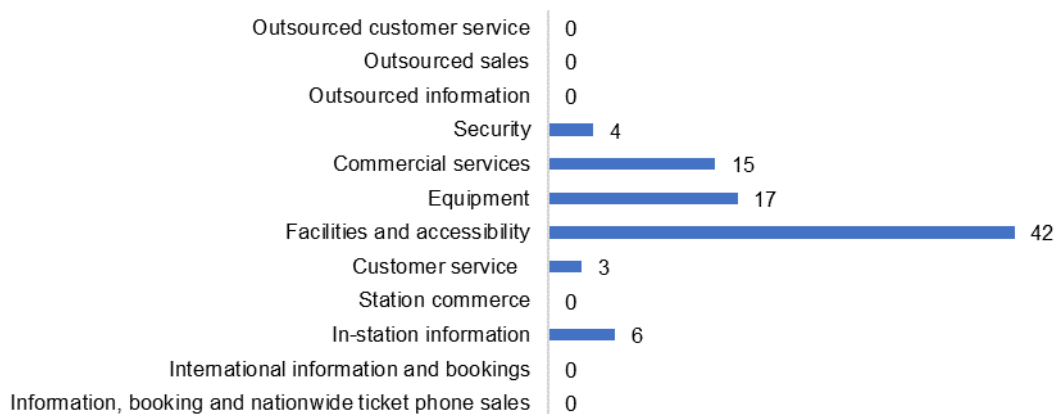


The number of **claim and complaints decreased by 58.88% year-on-year** in 2020. The complaints were most commonly related with the state of facilities and accessibility. This significant decline was due to the impact of COVID-19 on the number of passengers travelling through the stations.

## SUGGESTIONS RECEIVED IN PASSENGER STATIONS



## SUGGESTIONS RECEIVED BY TOPIC



The total number of suggestions received at Adif and Adif AV stations **decreased by 44.49%** in 2020, with equipment, facilities and access being the categories that attracted the most suggestions.

### 5.7.2. Accessibility

The strategic objective of social cohesion in the 2030 Strategic Plan encompasses all the improvements contemplated on the station accessibility front. Indeed, accessibility is a top priority social challenge at AV Adif. The goal is to gradually improve accessibility at the stations they manage, eliminating any barriers that could imply discrimination in the use of rail transport.

Along these lines, both Adif and Adif AV continue to deploy and work towards annual action plans with the ultimate aim of ensuring a transport system rooted in equality, dignity, maximum autonomy, comfort and safety, which is accessible and does not raise barriers for people with disabilities.

From 2018 to March 2020, Adif/Adif AV has co-led, together with Renfe, the design of the 2020-2028 Accessibility Master Plan for the Spanish Railway System, known as Plan Accede 360, which was drawn up in pursuit of Line of Action 6 – Universal Accessibility to Infrastructure and Transport, within Axis 1 – Mobility Strategy, which in turn falls within the Safe, Sustainable and Connected Mobility Strategy for Transport, promoted by the Ministry of Transport, Mobility and the Urban Agenda in line with the 2030 Sustainable Development Agenda.

As this plan largely coincided with the liberalisation of passenger transport in late 2020, it was decided not to continue with it as it ran the risk of violating the criteria of transparency and equal opportunities between the different railway companies. However, Adif did make further progress in 2020 in improving facilities to make them more accessible, as shown by the data provided in due course. On 12 December 2020, it took over from Renfe Operadora in running the service to support people with disabilities and reduced mobility, within the framework of the liberalisation process Regulation (EC) 1371/2007 of 23 October, on rail passengers' rights and obligations.

As a result, Adif now offers this service at its stations, to further complement the services that Adif was already offering to railway operators and passengers at Adif and Adif AV stations. In the case of trains, it also provides rail operators with a service to help disabled and mobility-impaired passengers board, find a suitable seat and disembark on request.

In any case, the purpose remains the same. Given the large number of passenger stations that exist throughout Spain, efforts are focused on those that see the largest numbers of passengers in accordance with applicable regulations, though without forgetting the rest. It should be noted that the measures put in place for stations with more than 750 passengers/day largely involve the construction of crossings at different levels. This process naturally affects the track, as the platforms need to be widened in order to build the entrances equipped with lifts to take passengers up to the crossing points. The work is therefore technically complex and calls for relatively large budgets.

During 2020, every effort was made to minimise the impact of the COVID-19 health crisis on the pace of tendering and contract award procedures and on the construction work that had been planned.

While Adif is fully aware that there is still much to be done when it comes to accessibility, 850 stations managed by Adif/Adif AV, out of the 1,493 passenger stations located across the network owned by the rail infrastructure manager, currently offer accessible travel routes. These same stations serve 448.13 million passengers/year (transit in stations with accessible travel routes)



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and allow around 84.76% of passengers (indicator for Adif + Adif AV) to travel independently anywhere along the network.

The remaining 643 stations are not yet fully accessible, though Adif/Adif AV is carrying out work at 97 of them and Renfe Operadora is planning other actions and initiatives to improve station accessibility. Once complete, a total of 964 stations will have been adapted and some 94% of passengers travelling through the 1,493 stations will be able to do so independently.

In 2020, a total of **€23.56 million (including VAT)** was invested to draft construction drawings and carry out work at the stations of Adif and Adif AV, of which **€7.92 million (including VAT)** related to accessibility improvements.

Description of indicators		Unit	2018	2019	2020
<b>DISCLOSURES ON OUR PERFORMANCE WITHIN SOCIETY AND ON PRODUCT LIABILITY</b>	Station accessibility *	% of passengers accessing stations with accessible routes managed by Adif/Adif AV*	83.19	85.07	84.76

\* (Indicator for Adif + Adif AV). Universal accessibility for people with disabilities

### DIALOGA SERVICE

Adif AV has a service for people with hearing impairment called "DIALOGA", which is designed to facilitate communication and provide them with station service updates. *DIALOGA* is a video interpreting service in sign language available in Customer Service Offices, whereby all information conveyed via the public address system in the station is represented in text form on display monitors. The system is used to transmit significant incidents, emergency situations and other general messages in sign language. A telephone information and text communication service is also available for mobile devices.



The Adif AV corporate website provides information on Adif stations at which the services and facilities have been adapted to the needs of deaf and hearing-impaired people.

[www.adifaltavelocidad.es](http://www.adifaltavelocidad.es)

In 2020, the **DIALOGA service was provided at 20 stations:** Alicante (AV), A Coruña (Multi-operator), Albacete Los Llanos (HS), Barcelona Sants (HS), Ciudad Real (HS), Córdoba (HS), Cuenca Fernando Zóbel (HS), Gijón (Multi-operator), Girona (HS), León (HS), Madrid Chamartín (HS), Madrid Puerta de Atocha (HS), Málaga María Zambrano (HS), Ourense (HS), Oviedo (Multi-operator), Santiago de Compostela (HS), Sevilla Santa Justa (HS), Valencia Joaquín Sorolla (HS), Valladolid Campo Grande (HS) and Vigo Guixar (Multi-operator).

From 12 December 2020, this service is included within the Persons with Reduced Mobility (PRM) Service to be provided by Adif at its stations, as described below:

### ADIF PRM SERVICE

On 1 December 2020, Renfe Viajeros Sociedad Mercantil S.A., RENFE-Operadora and Adif reached an agreement to transfer the provision of support services for passengers with disabilities or reduced mobility. Under this agreement, Adif began to provide this service as of 12 December, thereby assuming ownership of the assets, rights and obligations assigned and inherent to the service.



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The service currently extends to 140 stations and is provided as a permanent service at 68 and as an *ad-hoc* service at the other 72. The service description included in the 2020 Network Statement reads as follows:

SB-10v	PRM SERVICE AT STATIONS, effective from 12/12/2020
<b>DESCRIPTION</b>	Providing rail companies with a service that facilitates accessibility of disabled people and/or people with reduced mobility to, and assisting them in their transit through, stations using mechanical means or accompanying them personally in stations with permanent and ad-hoc services. In stations with ad-hoc services, this includes helping them board or get off trains and, where necessary, showing them to their seat, and restraining and releasing wheelchairs in the specified location.
<b>PROVIDER</b>	ADIF
<b>TERMS OF SERVICE</b>	<p>A meeting point for receiving and collecting customers will be specified at each station.</p> <p>The infrastructure manager shall decide which means to use for receiving information from rail companies so it knows at all times at which stations, for which trains, and which type of assistance it must provide.</p> <p>The following types of assistance are available for disabled people and/or people with reduced mobility:</p> <ul style="list-style-type: none"> <li>• <b>Permanent service:</b> This service is provided at stations with an in-person mobility assistant available continuously throughout the station's business hours. Requests for assistance will be attended at the network's 14 main stations up to 30 minutes prior to departure. At the rest of the stations with permanent service, these requests will be attended up to three hours prior to departure. Appendix 1 lists the stations providing this service.</li> <li>• <b>Ad-hoc service:</b> This service is offered at stations without an in-person mobility assistant. There, the assistant goes to the station to provide service at the request of the rail companies at least 12 hours before departure of the train. This service includes helping passengers on and off trains and, where necessary, showing them to their seat, and restraining and releasing wheelchairs in the specified location. Appendix 2 lists the stations providing this service.</li> </ul> <p>Ad-hoc services are available at both origin and destination stations.</p>
<b>REQUESTS</b>	Requests must be made as soon as possible and at least within the times established for the permanent and ad-hoc services.
<b>PRIORITY</b>	All requests made within the established timeframes shall be accepted. To the extent possible, the service's core principle is that no requests by a passenger with a disability and/or reduced mobility may be left unattended.
<b>ECONOMIC TERMS</b>	<p>Billing unit: Permanent service: €/equivalent passenger</p> <p>Ad-hoc service: €/service</p>
<b>LIKELY CHANGES TO THE SERVICE</b>	<p>Infrastructure managers may be forced to take measures to optimise and rationalise the provision of services due to the pandemic caused by Covid-19. This could result in a reduction in costs passed on to the railway companies.</p> <p>Potential measures include:</p> <ul style="list-style-type: none"> <li>▪ Adapting available resources to forecast demand.</li> <li>▪ Expanding the notice period required for providing the service at permanent stations, which was originally 30 minutes before departure at the 14 main stations.</li> <li>▪ Changing the type of service, from permanent to ad-hoc, depending on demand.</li> </ul>

This service, which was known as Renfe Atendo when it was managed by RENFE-Operadora, is to undergo a change of name now that it is managed by Adif. A new Adif trademark has been filed at the OEPM (Spanish Patent and Trademark Office).

### 5.8. Community commitment

Adif AV is aware that its business activities have a sizeable impact on the communities in which it operates and on Spain as a whole. The quality, safety and availability of its rail infrastructure and the impact that infrastructure has on economic development and social cohesion among many other impacts, have ramifications for citizens' quality of living, as is reflected in Adif's stated target of "improving people's lives".

It is important to consider the various impacts on the public and the strategy for making sure those impacts are increasingly positive, going beyond purely operational or service-related aspects to encompass the Company's environmental, social and governance dimensions.

### 5.8.1. Open Station Programme

The Open Station Programme is a Company-wide programme. It is the catalyst for Adif AV's community work and the main instrument for formalising its engagement with the third sector. Adif AV offers the third sector an excellent platform (every year over 150 million people pass through Adif's and Adif AV's stations) for carrying out activities that help them achieve their objectives; in parallel, the stations become of greater value to citizens by providing them with cultural, social or environmental content.



The Open Station Program contributes, via its activities, to materialisation of Adif AV's community work goals and the UN's **Sustainable Development Goals**.

Collaborations with non-profit organisations are governed by an internal work procedure ("General Procedure for Donating Station Space"). That procedure makes sure requests for the use of space receive standardised responses, framed by explicit and shared criteria, irrespective of the channel through which they are received. It also renders the process of servicing and responding to third sector organisations more agile and transparent.

Within the framework of the 2030 Strategic Plan and more precisely within the strategic pillar of Sustainability, Adif AV has set itself the objective of **contributing towards social cohesion**. This objective is formulated as follows: "Enabling **accessible public service** and working to **improve local communities** and **vulnerable segments of society**".

## SOCIAL COHESION

The initiatives undertaken under the umbrella of the Open Station Programme are strategically targeted at defined priority groups. The 2030 Strategic Plan includes in the "Social Cohesion" target two key performance indicators related with the Open Station Programme:



**Education, culture and values:** a total of 197 activities were carried out in 2020.



**Entities:** number of non-profit partners. In 2020, Adif collaborated with 71 organisations, down 33% on 2019, when 106 non-profit organisations took part in the programme.

The declaration of the state of alarm in March 2020 amid the COVID-19 pandemic certainly influenced the performance indicators for this project. The number of activities carried out was down by almost 60% on the previous year, with 197\* activities carried out at 60\* different stations. Moreover, 237 scheduled activities had to be cancelled (\*cumulative data for Adif and Adif AV). The same downward trend can be observed in the number of entities that have carried out activities at the stations. In 2020, Adif collaborated with 71 organisations (associations, foundations, local councils, public agencies or ministries), in this case down 33% in comparison with the 106 entities with which it collaborated in 2019. Adif AV's indirect contribution to the Open Station Programme, expressed in terms of loss of profit, amounted to €267,269 in 2020, down 72% from 2019.

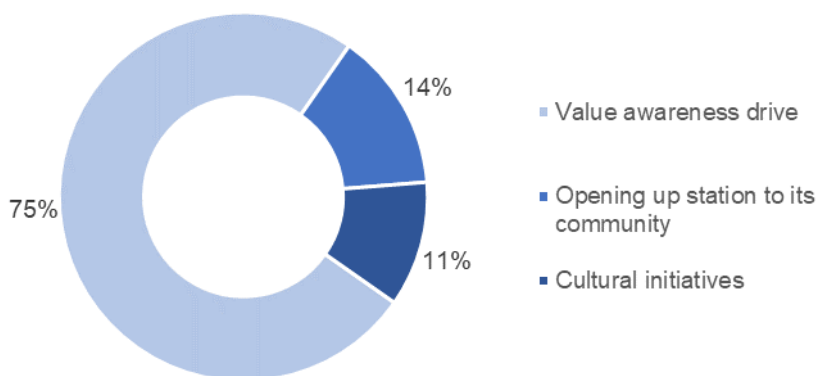
In 2020, a total of **237 activities** were cancelled due to the COVID-19 pandemic

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Adif AV's Open Station Programme pursues three main courses of action and related activities, which can be carried out at different stations throughout the railway network:

- **Station outreach** - information initiatives and efforts to engage with citizens.
- **Value awareness drives.**
- **Culture** - artistic expression by up-and-coming artists, concerts, exhibitions, etc.

### OPEN STATION PROGRAMME ACTIVITIES IN 2020



All of the entities to which Adif AV donates space under the scope of this program must fill out a feedback form, from which two indicators are gleaned: (i) an overall assessment of the outcome of the activity as a whole; and (ii) an average assessment of the assistance provided by the stations.



In 2020, NGO satisfaction with the activities carried out under this programme was assessed, revealing a score of 7.74, and of the support received from Adif AV, which was given a 9.25.

The 2020 assessments yielded very similar results to those of previous years despite the pandemic. The score given to the level of support provided by the stations remained high, at 9.25, while satisfaction with the result or outcome of the activity as a whole achieved a score of 7.74, despite the adverse climate in 2020. In 2020, Adif AV once again went to great lengths to get a high percentage of organisations to fill out this feedback form. As a result, 74% of the NGOs with which we collaborated during the period completed the form.

Some of the entities have voluntarily shared the direct return obtained on the activities conducted under the Open Station Programme. The economic return reported by the participating entities amounted to €4,870 (down €15,000 from 2019). There was also a marked decline in new members. In 2020, Adif's partner organisations achieved 761 new members (293 fewer than in 2019).

Adif's management committee approved the Sponsorship Policy of both Adif and Adif AV in 2019 and ratified the first version of the policy in 2020. This policy guides the process of managing all the different proposals that both companies receive from external partners and of undertaking initiatives, thus enabling them to flag projects suitable for sponsorship and providing rules and criteria on how to manage such actions.

Description of indicators		Unit	2018	2019	2020
<b>DISCLOSURES ON OUR PERFORMANCE</b>	Sponsorship agreements signed with non-profit organisations	No.	2	2	0

<b>WITHIN SOCIETY AND ON PRODUCT LIABILITY*</b>	Membership of national associations (Corporate Responsibility)	No.	3	3	3
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\*Company commitments to sustainable development: the impact of the Company's activity on employment and local development; the impact of the Company's activity on local populations and the territory; relations maintained with local community stakeholders and how the Company liaises with them; membership of national and international associations; sponsorship actions; collective bargaining agreements.

## 5.8.2. Assets and urban integration

Adif and Adif AV manage the property assets they own with the ultimate aim of achieving a positive impact on the communities in which they are located and generating shared value that benefits society as a whole. Both companies therefore contribute to the sustainable development of the railway system and its urban-railway integration into towns and cities, in line with the policies set by the competent institutions. The *Madrid Nuevo Norte* project continued throughout 2020:



### MADRID NUEVO NORTE

Pursuant to Clause 12 of the Amendment Agreement dated 28 December 2018, on 8 March 2019 the Monitoring Committee was set up and it was agreed that four Technical Committees would also be set up to meet on a monthly basis.

On 19 February 2020, the agreement between Adif, Adif AV and the company Distrito Castellana Norte S.A. (DCN) was signed, governing the drafting of construction plans for the foundation piles of the covering slab for the High-Speed Tunnel at the South Head of Chamartín Station (Madrid), as well as the agreement governing the award —within the framework of the competitive tender process presided by a panel of judges— of the "Service contract for the transformation of Madrid-Chamartín Station and its urban integration".

On 25 February 2020, Adif AV published in the Official State Gazette (BOE) the call for tenders for the tender process presided by a panel a judges for the award of the "Services contract for the transformation of Madrid-Chamartín Station and its urban integration. Drafting of preliminary projects, basic drawings and construction drawings".

On 25 March 2020, the Governing Council of the Community of Madrid green-lighted the Amendment of the General Zoning Plan (MPG), while stating that it would not take effect until certain modifications had been met. Madrid City Council, sitting in plenary, agreed to approve these modifications on 29 May 2020. The Governing Council of the Community of Madrid ultimately passed a resolution on 22 July 2020 confirming that the conditions set out above had been met.

On 31 July 2020, Madrid City Council published the MPG urban zoning regulations in the Official Gazette of the Community of Madrid (BOCM).

The bylaws of the Steering Committee of the APE 05.31 "Chamartín Business Centre" and the Delimitation Project of the APE 08.20 "Malmea – San Roque – Tres Olivos" are currently being drafted so that these aspects can take shape.

The Company also continued to pursue its customary asset management activities during the period, notably:

**Agreements with other government bodies and organisations:** the Company has collaborated with other government departments in negotiating agreements for the cities of: A Coruña (future Intermodal Station), Lugo (future Intermodal Station), Vigo (accesses to Vialia and urban tunnels), Barcelona (new urban development of the area surrounding Barcelona-Sants station), including:

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- Agreement signed on 13 July 2020 between the Company Murcia Alta Velocidad, S.A. and Murcia City Council to carry out new studies and zoning projects, urban management and site management work and/or to adapt existing studies and projects, and to coordinate health and safety in relation to the construction work needed to fulfil the purposes set out in the addendum amending the 2006 agreement.
- General Action Protocol between León City Council, Administrador de Infraestructuras Ferroviarias (Adif) and Adif AV to further integrate railway infrastructure in the city of León.
- Agreement between Valladolid Alta Velocidad 2003, S.A. and RENFE Fabricación y Mantenimiento for the handover of the old central repair facility in Valladolid and the new facilities at the New Railway Complex.

**Urban Zoning Reports:** various urban zoning reports, suggestions and/or arguments have been issued for a number of different planning instruments, notably:

- Tui (modification to Regional Zoning Plan no. 3 – Equipment E209 – Customs-Border Police); Arteixo (PE Punta Langosteira); Cadeita (review of the General Municipal Plan); Arahal (PERI-3 SEMILLAS PACÍFICO), Berriolano (General Municipal Plan), among others.
- Written arguments and claims relating to the preliminary version of the Protection Catalogue (*Catálogo de Protecciones*) of Alicante.
- Report on the General Structural Plan, the Strategic Environmental and Territorial Report and the Detailed Urban Zoning Plan of Almussafes (Valencia).
- Urban zoning report on the amendment of the Special Plan for Duque de Pastrana, 5 (Madrid).
- Report on the construction drawings for the urban development of the intersection at calle General Vara del Rey (Logroño).
- Report on the amendment documents of the Integrated Action Plan and Integrated Reform Plan for the A.4-1 "Central Park" area (Valencia).
- Report on the amendment of the General Plan for the Intermodal Station, Intervention Area G-44/2 (Zaragoza).
- Written arguments and claims in relation to the urban zoning project for APE 05.08 José Vasconcelos (Madrid).
- Written arguments and claims relating to compulsory purchase arrangement ahead of the performance of construction work to adapt the North Junction of Calle 30 (Madrid).

**Administrative processes and actions:** the Property and Urban Planning Department initiates and processes administrative procedures after a citizen or other public entity has exercised one or other right, or otherwise assists the Ministry of Transport, Mobility and Urban Agenda in processing such cases, which include:

- Procedure to reduce public domain land and building right boundaries: in 2020 Adif continued to pursue another aspect of its work as a public entity by initiating, processing and resolving administrative proceedings in response to requests and applications relating to the limitations on ownership ushered in by Rail Sector Act 2003, which are still present in the current Rail Sector Act. The right granted by railway regulations to request and, as the case may be, secure a reduction of public domain land and the building right boundaries, has given rise to the following actions and proceedings:
  - A total of 121 reduction applications processed: of which 13 related to public domain and 108 to building right boundaries.

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- A total of 49 decisions: of which five related to the reduction of public domain land and 44 to the reduction of building right boundaries.

These land reduction applications are received not only from private citizens, but also from other public entities. Examples include the 14 reduction applications made by local councils and the application received from the city of Santander for the construction of the headquarters of the municipal workshops and local police infrastructure.

- **Collaboration on land reversion proceedings:** Adif and Adif AV also collaborate with the Ministry of Transport, Mobility and Urban Agenda in processing administrative claims where citizens or other public entities subject to compulsory purchase orders have exercised the right to reclaim part or all of their land. Adif and Adif AV issued multiple reports in relation to the 220 reversion applications that were processed over the course of 2020, notably the reports relating to key projects such as Madrid-Chamartín and Madrid-Fuencarral stations, or in municipalities such as Tres Cantos, Getafe, Santiago de Compostela and Valencia.
- **Proposals to the Management Committee and Board of Directors of Adif and Adif AV:** applications under this right of reversion and collaboration with other administrative bodies or institutions through inter-administrative agreements often entail other administrative actions, such as the need to lay motions and proposals before the Management Committee and the Board of Directors for approval. In 2020, this included the presentation for approval of two agreements relating to the Madrid Nuevo Norte development and the start of negotiations towards an agreement with Huelva City Council whereby municipal public facilities and infrastructure will be transferred to the City Council.  
The interdepartmental agreements in effect sometimes require work in drafting declarations of building license exemption and release of land included in those agreements. Thus, in 2020, in the municipality of Logroño, 42,312.92 m<sup>2</sup> of land, 28,923.43 m<sup>2</sup> of urban development and 13,701 m<sup>2</sup> of building work were released as a result of the agreements signed in 2002 and 2004.
- **Reversion offers:** the administrative proceedings described above may sometimes generate the need to settle reversion rights. In such cases, the corresponding reversion right (right to reclaim expropriated land) must be offered to the expropriated parties or their assignees or successors, as happened in 2020, for example, upon the release of 64,342 m<sup>2</sup> in the municipal districts of Burgos and the municipalities of Burgos and Getafe, with the corresponding notifications sent to the parties concerned. In 2020, there were more than 500 such notifications offering the reversion of disencumbered land.
- **Cadastral amendment of land owned by Adif and Adif AV:** in 2020 Adif and Adif AV collaborated with other public bodies, including the General Directorate of the Cadastre, on the necessary process of putting public domain assets on record at the cadastre. In 2020, this collaborative work led to the filing of **772,602.52 m<sup>2</sup>** of surface area, of which **659,123 m<sup>2</sup>** related to Adif, including land pertaining to the stations of Madrid-Atocha, Méndez Álvaro, Delicias, Asamblea de Madrid, Entrevías, Pozo, Santa Eugenia and Coslada and the Madrid-Zaragoza lines and the Delicias branch line to Santa Catalina.
- **Filing and registration:** first registrations of land and other pertinent information were filed at the competent Land Registries during the period, using the different mechanisms provided for under the Mortgage Law, mainly Article 206. Registration of the Madrid-Chamartín station was a particular highlight in 2020.



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- **Updating and maintenance of Adif's Inventory of Property Assets:** all administrative actions and processes require both prior and simultaneous work to update and maintain the Inventory, which in 2020 involved:
  - Action on 340 Inventory units under the annual review programme.
  - Support in drawing up the 42 property and urban planning reports to have been issued during the period, by providing documentary, cadastral and graphical information on the Inventory units concerned.
  - Working alongside the Department of Economic and Financial Management in delimiting, valuing and recording, in the accounting inventory, all compulsory purchases undertaken by the former Ministry of Public Works in respect of land owned by Adif. This process enabled the parties to calculate the acquisition value of each of the 11,100 properties included in 240 projects, which had hitherto been recorded in aggregate terms on Adif's balance sheet at a value of €258 million.

### CITIZENS' RIGHTS: ADMINISTRATIVE PROCESSES AND ACTIONS

- Procedures to reduce public domain land and building rights.
- Land reversion proceedings.
- Laying motions before the Committee and the Board to approve proceedings or ratify agreements.
- Laying motions before the Committee and the Board in relation to declarations of license exemption and release of land, building work and urban developments.
- Processes to grant reversion rights.
- Cadastral amendment proceedings.
- First registrations of land and registry amendments.
- Updating and maintaining Adif's Inventory of Property Assets.

### 5.8.3. Corporate Group

Adif AV currently holds stakes in 21 entities of varying types (companies, consortiums, foundations, economic interest groups and associations), all of which make up the Adif AV Corporate Group. The ownership percentages are as follows:

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Consulting and business companies	Emfesa, S.M.E, M.P., S.A. [Adif AV (12.50%)]	
Consulting and business companies	Ineco, S.M.E, M.P., S.A. [Adif AV (20.68%)]	
Public-private partnership enterprises	Track and installations	Albali Señalizaciones, S.A. [Adif AV (10%)]
		Energía Olmedo – Ourense, S.A. Fase I [Adif AV (10%)]
		Vía Olmedo – Pedralba, S.A. [Adif AV (10%)]
Other	International	Hit Rail, B.V. [Adif AV (4.35%)]
Integration	Alta Velocidad Alicante Nodo del Transporte, S.A. [Adif AV (30%)]	
	Almería Alta Velocidad, S.A. [Adif AV (40%)]	
	Barcelona Sagrera Alta Velocitat, S.A. [Adif AV (30%)]	
	Cartagena Alta Velocidad, S.A. [Adif AV (40%)]	
	Gijón al Norte, S.A. [Adif AV (30%)]	
	León Alta Velocidad, S.A. (undergoing liquidation) [Adif AV (37,50%)]	
	Logroño Integración del Ferrocarril, S.A. [Adif AV (30%)]	
	Murcia alta Velocidad, S.A. [Adif AV (40%)]	
	Palencia Alta Velocidad, S.A. [Adif AV (40%)]	
	Valencia Parque Central, S.A. [Adif AV (30%)]	
	Valladolid Alta Velocidad, S.A. [Adif AV (30%)]	
	Alta Velocidad Vitoria – Gasteizko Abiadura H., S.A. [Adif AV (40%)]	
	Zaragoza Alta Velocidad, S.A. [Adif AV (30%)]	
Foundations	Fundación de los Ferrocarriles Españoles [Adif AV (25%)]	
Associations	Asociación ERESS (European Railway Energy Settlement System)	

The activities carried out to manage the Corporate Group were as follows during the period:

- Monitoring and control of the different entities, including their operational programmes and annual accounts and management reports.
- Monitoring the resolutions adopted by the governing bodies of these entities and ensuring that they are compatible with Adif's strategy.
- Overseeing the technical and economic viability of the different entities, including the courses of action they plan to pursue.

In 2018, Adif was mandated by Adif AV to launch the “Corporate Group Positioning Plan” with the aim of streamlining the Corporate Group and becoming more efficient. The plan explains the role played by Adif AV in managing these investees and analyses the competitive, economic, legal, operational, social, sustainability and environmental benefits and rewards of continuing to hold a stake in such companies.

This plan is in line with the following SDGs:





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Various projects are undertaken within the framework of the plan:

- Analysis of the corporate business structure, which involved a diagnosis of the Adif Corporate Group and structuring the entities in which this public entity holds stakes into subgroups subject to differentiated treatment and business development. This analysis was completed in November 2018.
- Definition of the Adif AV Subsidiary Group Model, which will enable the public entity to become more effective and efficient in managing its subsidiaries. In relation to this project, several working meetings were held throughout 2019 at various areas and departments of Adif and Adif AV in a bid to flag possible areas for improvement at the public entity. The results obtained are currently being analysed, as is the possibility of drawing up a development roadmap.
- Companies fit for disinvestment/liquidation, based on the resolution passed by the Council of Ministers on 16 March 2012, approving the Plan for the Restructuring and Streamlining of the Public Enterprise and Foundations Sector. Work is currently being carried out on the following aspects, among others:
  - Liquidation of LEON ALTA VELOCIDAD 2003 SA.
  - Improved management of the railway JVs, for which the plan is to draw up and deploy an Action Plan.

The projects envisioned under this plan are all in progress, with varying degrees of maturity.

A number of special projects are also being carried out, notably:

- Analysis of the activity carried out by EMFESA, which led to the sale by Adif to Adif AV of 12.5% of its shareholding. Work is also ongoing out to regularise the Company's status as an own resource, to draw up and approve the rates for the services it offers and to modify its corporate purpose.

Over the coming years, the aim is to press on with projects and actions envisaged in the Positioning Plan.

### 5.8.4. Urban Integration JVs

Adif AV carries out rail integration operations through the stakes it holds in 13 urban integration JVs in the following cities: Alicante, Almería, Barcelona, Cartagena, Gijón, León, Logroño, Murcia, Palencia, Valencia, Valladolid, Vitoria, and Zaragoza. These corporations are the result of various agreements to have been signed since 2002 between the Ministry of Public Works (currently MITMA) and its state-owned companies and regional and local government bodies.

These arrangements regulate all the necessary railway, integration and urban development actions, including costs and funding methods. They also set out the powers and obligations of the signatories and of the Company, whose mission is to oversee the urban development and carry out the infrastructure and urban development works on land released from railway use in different facets of city management.

Action undertaken in relation to the Integration JVs was a result of:

- The decisions that had to be made because of the imbalances present within the corporations due to the economic and financial difficulties that Spain had to endure from 2011 onwards.
- Management and coordination of the actions carried out in relation to these companies.
- The recommendations arising from the Court of Audit's 2017 Audit Report.

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- The entry into force of Law 40/2015, on the legal regime of the public sector.
- Analysis of new models of rail integration in cities that guarantee sustainable integration in line with the SDGs and the 2030 Agenda, among others.

In relation to the Integration JVs, further work has been needed to deliver on the commitments assumed under the agreements in place, mainly in order to:

- Render the Integration JVs viable by reviewing the integration plans defined at source, promoting each of the milestones that make up the global project in order to rethink, modify or terminate the Agreements, proposing new integration solutions, or adapting the integration model to reflect the current situation.
- Ensure that the financing of these operations is compatible with the costs set out in the integration solutions.
- Pay off the bank borrowings of the Integration JVs in order to minimise the cost overruns associated with these contracts.
- Implement different financing solutions so that these operations are not caught by capital gains on urban planning projects.
- Grow the value of the released land in order to earn a return and repay the bank borrowings, participation loans and commercial debt of the Integration JVs.

An Action Plan has been drawn up to accomplish these goals as part of the Positioning Plan described above. The main aim of the Action Plan is to establish the mechanisms and analytical work needed to improve and optimise management of all integration operations carried out through the Integration JVs and, as the case may be, to propose alternative solutions for managing these operations. The ultimate aim is to enhance the urban integration of the railway system by generating more of an economic, social and environmental impact and improving mobility and sustainability within the city.

The following documents were signed in 2020 in relation to the activities carried out by the Integration JVs:

- 13/07/2020: agreement between the Company Murcia Alta Velocidad, S.A. and Murcia City Council to carry out new studies and zoning projects, urban management and site management work and/or to adapt existing studies and projects, and to coordinate health and safety in relation to the construction work needed to fulfil the purposes set out in the addendum amending the 2006 agreement.
- 10/12/2020: agreement between Adif AV, Barcelona City Council and Barcelona Sagrera Alta Velocitat, SA to draft the construction drawings for the architecture, installation and urban development of the Sagrera intermodal station.

In line with the actions envisioned in the Action Plan and to improve levels of communication and coordination in carrying out the work, meetings were held with the Technical Committees comprising representatives of all the partners on the project.

Meanwhile, to provide further information for decision-making in relation to the integration of the railway into cities and to make them more sustainable, an analysis was conducted of the current state of the railway system and of how it will ultimately be on the date all the work envisioned in the agreements is completed in the 10 cities in which the railway system will have the greatest penetration and impact.

This additional information will facilitate decision-making on possible solutions for the integration of rail in cities in line with the SDGs and the 2030 Agenda.

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The most relevant actions carried out by Adif AV in 2020 within the context of the Integration JVs were as follows:

- **Alicante Transport Node:**

- On 18 March 2020, two participating loans were signed to cover the annual payment commitments of Adif and Adif AV under the amending addendum to the founding agreement signed in 2019. The loan funds were delivered in April.
- In June 2020, a working group was set up to coordinate construction of the tram station next to the Adif AV station. The drawings for the tram station are currently being drawn up by the regional government of Valencia.
- In August, work was completed to relocate the maintenance equipment at Alicante station (known as the “*Via de la Vagoneta*”). This action is needed for the planned urban development work to proceed, as it will release the current railway land where the future central park will be located and connect the north and south of the area on the west side.
- In October, the Company awarded the contract for the adaptation of the OI/2 Special Plan ahead of the final approval of this special plan, this being a prerequisite for the urban development of the area, which will feature a large central park, and to be able to sell the released land and related property developments.

- **Almería Alta Velocidad:**

- In June 2020, the preliminary project for integration Phase 2 was finalised and in July 2020 it was presented to the Technical Committee. The preliminary project will entail extending the underground access section to Avda. Mediterráneo (1.5 km underground) and includes high-speed upgrades to the intermodal station, with tracks and platforms on the surface. This preliminary project, which includes several alternatives and associated costs, is needed in order for the Company to make decisions regarding the options on how best to bring high-speed railway to the city of Almería.
- The construction work in the El Puche zone, belonging to Phase 1 of the process of integrating the railway into the city of Almería, is nearing completion (91.54%) and is expected to be finished next year.
- In September 2020, the Regional Government of Andalusia announced an extension of the deadline for the Company to justify payment of the nominative subsidy received by Adif AV in respect of the contribution made by the Regional Government of Andalusia for the performance of the integration work in El Puche. The new deadline is 17 January 2022.

- **Barcelona Sagrera Alta Velocitat:**

- Throughout the year, work continued on the station structure, the station accesses and the parking bays in the Sant Andreu sector.
- A number of track and electrification, installations and signalling and civil protection and safety projects are currently being drafted for the Sant Andreu sector. Revised Design No. 2 for the Sagrera station structure is currently on the drawing board (provisional continuation of the works was authorised in June 2020).

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- In September 2020, the Company put out to tender the drafting of the construction drawings for the station architecture and installations for a contract worth €5.21 million (VAT not included) with a term of 24 months.
- Work also began on the Sant Andreu Comtal station in September 2020.
- In November 2020 the Company put out to tender the sale of plot FR-01 in the Entorn Sagrera sector through a contract worth €11.09 million (excluding urban development charges and VAT).
- In December 2020, the bank debt was fully repaid by means of the capital calls made to the shareholders, arranged through a participating loan that also matured in December but which, following the agreement of all the shareholders, has now been extended until December 2021. The parties are currently looking to amend the loan by adjusting its maturity date to when the Company manages to secure funding.
- **Cartagena Alta Velocidad:**
  - On 14 July 2020, the novation of the €2.7 million participating loan agreement was signed to extend the original maturity date agreed upon under the July 2014 agreement through to 30 June 2030, while also allowing the partners to agree upon a further extension of three years.
  - The amendment also states that the participating loan will be repaid progressively as funds are obtained by the Company through the gradual performance of the planned urban development work, while any remaining amount will be repaid on the final maturity date.
  - In October, work was completed on the Platform Construction Project for the Remodelling of the Arterial Railway Network of the City of Cartagena – Section I, involving a 500-metre, double-track section. The work was completed ahead of the expiry of the current Environmental Impact Statement, although the work does not form part of the commitments under the current agreement.
  - Further work completed outside the scope of the agreement included the completion of the construction drawings for the comprehensive refurbishment of the Cartagena station, a listed building of great architectural value. This project is compatible with any solution that may ultimately be adopted to bring high-speed rail travel to Cartagena.
  - A new study is on the drawing board to appraise the merits of building a freight bypass, as per the resolutions passed by the Company's governing bodies, to avoid the need for freight traffic to pass through urban areas.
- **Gijón Al Norte:**
  - On 4 July 2020, the initial approval of the study was published in the Official State Gazette, concluding that Moreda is a better location for the future Intermodal Station than building it in front of the Railway Museum. In this case, a new agreement would need to be signed if the competent administrative bodies decide to change the location of the station.
  - Adif is currently drafting the civil works construction drawings for the Bibio and Viesques stations and for the Viesques-Hospital de Cabueñes section.

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- On 22 December 2020, the partners delivered the second annual payment by virtue of the financial commitments assumed under the new Integration Agreement signed in 2019, worth €5.61 million.
- **León Alta Velocidad:**
  - Work is currently under way to wind up and liquidate Sociedad León Alta Velocidad 2003, and to reach an agreement with the City Council to settle the entire scope of the railway integration work that has involved Adif AV.
- **Logroño Integración del Ferrocarril:**
  - In July 2020, Logroño City Council approved the resolution under the agreement to carry out the construction work at Vara del Rey. Also in July, the City Council drew up a new urban zoning drawings for the zone, envisioning the removal of the underpass and the creation of a roundabout with traffic lights, all with an initial tender budget of €4.55 million (VAT not included) and a deadline of 10 months.
  - Work on the bus station structure was completed in September 2020 and in December 2020 the urban zoning work was finalised, with the fitting out work currently ongoing. This work has been financed by both the City Council and the Company.
  - Work to relocate the La Portalada traction substation has now been completed and will be commissioned once the competent safety agency authorises the work.
  - The working group set up to analyse the 2002 agreement and the feasibility of phases 2 and 3 is currently drafting a new agreement.
  - In December 2020, the Company secured an extension until 29 July 2021 (when the bank debt also matures) for the mandatory repayment of the pledged account, which was essential in order to finance the work planned for the first half of 2021.
- **Murcia Alta Velocidad:**
  - In July 2020, the signing of a participating loan totalling €71.01 million was approved for year two (2020-2021), as stipulated in the Amending Addendum to the Founding Protocol signed in 2019. This participating loan contract was then signed in November.
  - On 24 July 2020, the novation of the first participating loan worth €8.5 million was signed, subject to a new maturity date of 30 June 2025 and allowing the partners to agree upon a further extension of three years.
  - The amendment also provides for progressive repayment of the loan as funds are obtained by the Company through the ongoing performance of the planned urban development work, while any remaining amount will be repaid on the final maturity date.
  - The agreement between the Company and the City Council was signed in July 2020 to govern the drafting of all necessary urban planning documentation, as well as the tendering of the construction and other work arising from such documents.
  - Work on Phase 0 of the railway integration project (Santiago El Mayor-Senda de los Garres) is nearing completion and is expected to be finished next year.

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- Meanwhile, work continues on Phases 1 and 2 of the railway integrations (Estación-Barriomar and Nonduermas). In January 2020 the Board of Directors of Adif AV authorised the drafting of a first amended project. The construction work has been partially suspended on one particular section for the time being as it has been found to affect numerous houses located very close to the tracks in the Barriomar zone.
- On 24 November 2020, the IV meeting of the Monitoring Committee of the Amending Addendum took place. At this meeting, the amounts to be passed on to the City Council of Murcia and the Region of Murcia to settle the advance payments made by Adif AV for the Phase 0 work were agreed upon. The corresponding payment orders were then issued on 27 November 2020, as follows:
  - Region of Murcia: €4,745,689.80 (Order no.: 2003500053)
  - Murcia City Council: €1,366,299.32 (Order no.: 200350005)
- **Palencia Alta Velocidad:**
  - The Ministry of Transport, Mobility and Urban Agenda (MITMA) is currently analysing a solution for integrating the railway into the city, whereby the station will remain above ground and there will be less underground space than initially envisaged.
- **Valencia Parque Central:**
  - Adif IV is continuing to draft the basic project and construction drawings for the New Railway Access Channel (Phase III). At the meeting of the Company's Technical Committee held in May, Adif AV announced that Joaquín Sorolla station would require more extensive remodelling than previously planned due to the likely increase in passenger numbers over the coming years, meaning that Adif AV would need to draw up a complementary project to extend the station.
  - Plot development work has now been completed to provide urban infrastructure for certain plots resulting from the reparcelling (Phase 1A) of the northern zone.
  - In May 2020, development work began in the area around calle Dr. Domagk, a zone within the park that could not be developed due to illegal occupation of the area. The work is currently on hold following the detection of contaminated soil, and an amendment to the project is pending approval. Another amendment is to be approved to complete the restoration of part of a listed building following the decision reached by the competent authority. This work was originally envisioned under the contract.
- **Valladolid Alta Velocidad 2003:**
  - The transfer to the NBMI (new integrated maintenance facility), which started in April 2019, is now being finalised.
  - In relation to the eastern bypass, Adif has awarded contracts for the supply and transport of monoblock sleepers (worth €6.43 million, including VAT), bi-block sleepers (worth €1.41 million, including VAT), switches and crossings (worth €5.93 million, including VAT included), ballast (worth €2.55 million, including VAT) and rail (worth €5.27 million, including VAT). Meanwhile, the award of the contract for the booted underties is pending, with work on the bypass scheduled to resume in 2021.



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- In June 2020 the regional government of Castile and León ratified the updated general urban zoning plan (known as the PGOU) by having it published in the Official Gazette of Castile and León.
- The construction drawings for the underpasses connecting Vía and Salud streets, thereby joining Unión and Pelicano, San Isidro, and connecting Estación and Guipúzcoa streets, thereby joining Padre Claret with Andalucía, are currently being drafted and are expected to be completed in February 2021.
- In November 2020, Adif AV approved the construction drawings for the underpass at Panaderos and Labradores streets. On 28 December 2020, the Company's Board of Directors tendered the contract to perform the construction work, worth €19.60 million (including VAT). In November 2020, TYPESA delivered the preliminary project for the remodelling of Campo Grande station and is currently drafting the basic design.
- In December 2020, the Company authorised the tender for the drafting of the construction drawings for the pedestrian underpasses between Avenida de Irún and the streets Guadalajara and Camino de la Esperanza and the area running between calle Hípica and calle Adolfo Suarez.
- In December 2020, the Company authorised the tender for the supply and assembly of a complete train spray booth facility for the NBMI. The contract is worth €2.495 million and comes with a 12-month term.
- At a meeting of the Company's Board of Directors held in December, it was agreed to analyse the impact that the suspension of the 2020 and 2021 contributions may have and to resume such contributions as of 2022. The directors also resolved to formulate a proposal in January 2021 to agree upon the relevant payments to be made.
- **Vitoria-Gasteizko Abiadura Handia:**
  - On 14 February 2020, the Ministry of Transport and the Basque Government agreed that the latter would handle the work on the HST access while the Ministry would assume responsibility for the work on the station.
  - The new study into the railway integration process in Vitoria is currently undergoing the environmental approval phase. Final approval is expected in early 2021.
- **Zaragoza Alta Velocidad:**
  - In May, the Board of Directors of the Company ratified the agreement signed on 25 November 2019 between the Company and ENDESA for the performance of the work needed to supply electricity to plots 5 to 7 (Phase 2). Phase 1 work under this agreement will commence once it has been cleared by the City Council (Adif/Adif AV have already granted their consent to such work).
  - In May, the contract that had been in effect for several years governing the drafting of the construction drawings to transfer the facilities of the former El Portillo station to the Delicias station was terminated. This contract allows work to commence on a new project tailored to current needs, subject to the signing of the corresponding financing agreement, which is currently being drawn up.
  - The Company is calling for a new amendment of the General Urban Zoning Plan for the city of Zaragoza to further optimise the real estate developments yet to be carried out in the Barrio Oeste zone.

- In the second half of 2020, the Company initiated negotiations to obtain an alternative option with better terms than the existing bank financing arrangement. The negotiations are nearing completion and if successful would lead to a significant reduction in the interest rate payable.

At 31 December 2020, there were a total of **56 agreements, protocols, addenda and related documentation relating to the integration JVs** in which Adif AV has held an interest since their inception.

## 5.9. Supplier management

Suppliers are an essential part of Adif AV's business development and growth. The Company seeks to ensure that its relations with suppliers are based on transparent contracting processes and legal certainty.

Both Adif and Adif AV are state-owned enterprises and, as such, are bound by **prevailing public contracting law**.

Specifically, Adif's contracts, meaning the drafting, adjudication, effectiveness and termination thereof, are governed by the Public Sector Contracting Act, (Spanish Law 9/2017), as stipulated in section d) of article 3.3 of that same Law.

Elsewhere, Adif AV's contracts are subject to the following legal regime:

- The drafting, adjudication, effectiveness and termination of contracts the estimated value of which is equal to or exceeds the thresholds set out in Chapter I, Article 1 of Royal Decree Law 3 of 4 February 2020, on procurement procedures in the water, energy, transport and postal services sectors (LCSE 3/2020), are governed by that law.
- Pursuant to additional provision eight of Law 9/2017, the drafting, adjudication, effectiveness and termination of contracts the monetary value of which is less than the above thresholds are broadly governed by the rules regulating non-harmonized contracts set out in Law 9/2017 for non-government contracting authorities.

### 5.9.1. Responsible public procurement

The challenge faced by Adif AV is to ensure that public procurement serves as an exemplary and legitimate tool in contributing to its strategic targets in relation to sustainability and social cohesion, while upholding, in parallel, the fundamental principles of public procurement: competition, freedom of access, transparency, non-discrimination and equal treatment.

To that end, each time it puts a tender out to call, Adif AV runs a supplier selection process in which the suppliers must certify their business and technical expertise and solvency, while also satisfying certain social and environmental criteria, which are determined individually for each supplier approval process. When contracting, the supplier approval and assessment processes at Adif and Adif AV are equivalent to the solvency and capacity conditions stipulated in Articles 65 to 97 of Law 9/2017 (for Adif contracts and, to the extent applicable, for Adif AV contracts not subject to harmonised rules) and in Articles 30 to 40 of LSCE 31/2020 (for Adif AV contracts that are subject to harmonized rules). In addition, the procurement documents specify the



prerequisites which must be met and certified by bidders before the respective contracts are awarded.

The social, equality and environmental criteria used to select bidders are set as part of the above-mentioned solvency criteria or in the adjudication criteria. Both the solvency and adjudication criteria are set by the contracting entity in the corresponding procurement documents and are made known to the bidders before they present their bids. In the event of a tie, the terms of Articles 131.1 and 145 to 148 of Law 9/2017 apply (for Adif contracts, and in respect of aspects applicable to contracts below the threshold for harmonized contracts of Adif AV), as do the terms of Articles 58 to 73 of LCSE 3/2020 (for contracts the estimated amount of which is equal to or more than the thresholds stipulated in Article 1 thereof).

### CATALOGUE OF SOCIAL AND ENVIRONMENTAL CLAUSES

As a result of the new Public Sector Procurement Law, specifically Article 1.3 thereof, establishing the compulsory requirement to embed social and environmental criteria into all public contracts, Adif AV is currently drawing up a Catalogue of Social and Environmental Clauses to be included along the various stages of the procurement process for each type of contract. Specifically, it is working on clauses at three different levels:

- Requirements to be met by bidders during the design, preparation and drafting of the contract and the related documentation.
- Clauses containing assessment criteria to be used during the contractor selection process.
- Special terms of performance to be considered during the contract execution phase.

In parallel, with the aim of enriching the work under way, Adif AV is being advised by Forética's Taskforce for Public Sector Entities so as to be able to add ideas emerging from similar initiatives to its own catalogue.

As a result of this work, Adif AV has defined the social and environmental criteria it will use to assess the suppliers that bid in its procurement processes. The social criteria will be more cross-cutting while the environmental criteria will be more closely related to the nature of what is being procured:

- Social criteria: equality, work-life balance, hiring of persons with disabilities, hiring of persons at risk of exclusion/particularly vulnerable segments, recruitment and job stability, workplace health and safety measures, good pay and terms of employment, collective bargaining agreements, training, corporate social responsibility, transparency, and good tax practices.
- Environmental criteria: waste and emissions, environmental management system, contracts for specific work and services, cleaning services, security services, consultancy and engineering services, maintenance services, vehicle fleet services, and the supply of energy and other materials.

Adif and Adif AV's procurement procedures are **supervised by numerous institutions**, including the General State Controller (IGAE for its acronym in Spanish) and the Court of Audit.

Description of indicators		Unit	2018	2019	2020
Disclosures on our performance within society and on product liability	Purchases framed by responsible criteria * Indicator for Adif + Adif AV	%	100	100	100

## 5.10. Adif AV's contribution to the country's socio-economic development

The activities carried out by Adif AV generate various qualitative and quantitative impacts within the communities in which it operates, as described below.



### 5.10.1. Employment and local development

One of the most important of these is **direct employment**. As of the date of publication of this report, 218 jobs had been created at Adif AV. It is also worth noting that **rail transport** generates 145,000 <sup>6</sup> jobs in Spain (covering 0.75% of the active population <sup>7</sup>).

To promote local growth, Adif AV mainly deals with **local suppliers**, with 98.97% of its suppliers based in Spain.

These facts and figures, among others, show that the Company has generated **wealth within the local community** (social cash flow), distributed as follows:



- Payment of employee taxes (Social Security): €3,120 thousand
- Payment of employee taxes (personal income tax): €2,682 thousand
- Economic value distributed (contribution to stakeholders): €1,015.2 million
- Use of EU funds: 1.12%

<sup>6</sup> Railway Observatory in Spain (2018 Report) – Last available report

<sup>7</sup> INE (National Statistics Institute) – Labour Force Survey, Fourth Quarter 2020

### 5.10.2. Contributions to foundations and non-profit organisations

To meet the growing demands of today's society and achieve the goals enshrined in the **2030 Agenda of the United Nations**, companies need to set up means of implementation and cooperation that will enable them to unlock synergies and multiplier effects for the common good, as stated in **SDG 17** of the Agenda.

To succeed, Adif AV collaborates with non-profit organisations through a variety of different formulas. It is also a signatory to the **UN Global Compact** and a member-participant of the **Spanish Network of the UN Global Compact**. Meanwhile, the Company is a member-promoter of **Forética** and collaborates with the **Spanish Royal Academy of Engineering**.



In total, Adif AV's direct and indirect contributions to foundations and non-profit organisations in 2020 came to €311,602, including both membership of the organisations concerned and the Company's involvement in various social action initiatives. Adif AV collaborated with a total of 71 non-profit organisations in 2020.

### 5.10.3. Impact on local populations and territories

One of the biggest positive impacts generated by Adif AV is the contribution it makes towards the development of the rail transport sector—a strategic factor in terms of connectivity, accessibility, cohesion and territorial connection—and thus to local development, both economic and social. The railway is the most environmentally friendly modes of transport and should rightfully be the backbone of any **sustainable mobility policy**. To promote territorial structuring, several actions are being carried out across the Iberian Peninsula to optimise levels of cohesion and ensure the harmonious connection between of the railway and its surroundings:



- Investment in developing the high-speed network: €1,062.54 million
- Resources for environmental protection (investment + operation): €59.85 million<sup>8</sup>
- Station modernisation (millions of passengers to have benefited): 23.02
- Investment in accessibility improvement work (€M): €7.92 million
- Investment in the community (loss of profit – *Open Station* programme): €267,269 thousand
- Urban integration (€M of cumulative investment): €4,194.16
- Investment in R&D: €3.32 million
- Investment in digital transformation: €5.35 million

Rail transport has a promising future ahead of it, with continued growth forecast at a rate of 1% per year through investments in infrastructure, signalling and control, together with rolling stock and services.

### 5.10.4. Climate Change Policy

Adif AV is acutely aware of the worldwide concern over the urgent need to halt one of the most pressing environmental problems, namely climate change. Its adverse effects are becoming increasingly evident, with a notable increase in frequency and severity in recent years.

<sup>8</sup> Figures at year-end 2018 (latest available information).

With the aim of making a greater contribution to overcoming this environmental issue, Adif AV (together with Adif) has drawn up and implemented a **Climate Change Action Plan** for 2018-2030, which envisions action in the realm of both mitigation and adaptation. This strategic initiative is aligned with the main existing international commitments in the fight against climate change, such as SDG 13: Climate Action of the 2030 Agenda and the pledges made by the signatory countries to the Paris Agreement. The Company also works towards European and domestic policies aimed at becoming **climate neutral by 2050**, as envisioned in the European Commission's Green Deal.

The **main goals** pursued under this plan are as follows:



- Reducing the energy consumption of the railway system by 2,900 GWh cumulatively over the 2018-2030 horizon.
- Cutting GHG emissions by approximately 3,700 ktCO<sub>2eq</sub> cumulatively over the 2018-2030 horizon, counting the purchase of green electricity (with Guarantee of Origin certificates).
- Reducing the carbon footprint of Adif and Adif AV by up to 86% if we count the purchase of green electricity (with Guarantee of Origin certificates).

Under this Plan, Adif AV **accomplished the following goals** in 2020:



- Energy savings of 104.18 GWheq/year (cumulative since 2009) achieved.
- Greenhouse gas emissions down 13,028 tCO<sub>2eq</sub> (cumulative since 2009).
- Procurement and consumption of 100% of the electrical energy for the entire railway system with Guarantee of Origin certificates

*Appendix II: Indicators showing Adif AV's contribution to the socio-economic development of the country* describes all KPIs used to measure the qualitative and quantitative impacts in relation to different aspects.

## 6. ABOUT THIS REPORT AND GRI STANDARDS

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### 6.1. Scope

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Adif has been preparing a Sustainability Report since 2006. In the 2020 report, Adif AV describes its financial and non-financial commitments and performance between 1 January and 31 December 2020.

The scope of the report extends to all Adif AV's activities in the countries in which it operates. The information contained in the report relates mostly to Adif AV, though sometimes to Adif as well. This is because the Company does not have separate information relating to specific aspects of Adif's management.

### 6.2. International standards

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This report was drawn up with reference to the standards laid out in the Global Reporting Initiative's sustainability reporting guidelines (GRI Standards), in accordance with the Core option.

## **ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT**

Adif selected the material topics to be addressed based on the new materiality assessment conducted in 2020, which is outlined in section 2.5 of this report.

This report was also drawn up in keeping with the requirements stipulated in Spanish Law 11/2018 of 28 December, on non-financial and diversity reporting.

The table of contents and table of GRI performance indicators indicate the corresponding pages of the report, coverage of the requirements, management approaches and indicators. In the event that key performance indicators are not provided, the reason for their omission is explained.

This report also explains the relationship, or link, between the information contained in this report and the relevant Sustainable Development Goals (SDGs).

## 7. GRI INDICATORS

### General disclosures

GRI indicator	Reference (Page)
102-1 Name of the organization	5
102-2 Activities, brands, products, and services	9-16
102-3 Location of headquarters	C/ Sor Ángela de la Cruz, 3 - 3º 28020 - Madrid
102-4 Location of operations	15
102-5 Ownership and legal form	156-157
102-6 Markets served	9-16
102-7 Scale of the organization	113; 115; 169
102-8 Information on employees and other workers	113
102-9 Supply chain	152-153
102-10 Significant changes to the organization and its supply chain	There were no significant changes in the organisation during the reporting period. Significant organisational changes are communicated within the relevant notice periods stipulated in the agreement.
102-11 Precautionary Principle or approach	53-59
102-12 External initiatives	19-20; 24-29
102-13 Membership of associations	14; 63-65
102-14 Statement from senior decision-maker	Statement from Adif AV's Chairwoman
102-16 Values, principles, standards, and norms of behavior	9-10
102-18 Governance structure	45-52
102-40 List of stakeholder groups	61-62
102-41 Collective bargaining agreements	120-121
102-42 Identifying and selecting stakeholders	16-18; 61-62
102-43 Approach to stakeholder engagement	61-62
102-44 Key topics and concerns raised	16-19
102-45 Entities included in the consolidated financial statements	156-157
102-46 Definition of report content and topic boundaries	156-157
102-47 List of material topics	18
102-48 Restatements of information	Where possible, data for the last three years (2018-2020 period) have been included.
102-49 Changes in reporting	156-157
102-50 Reporting period	156-157
102-51 Date of most recent report	2019
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	rsc@adif.es
102-54 Claims of reporting in accordance with the GRI Standards	156-157
102-56 External assurance	This report has been verified by a third party.

### Management approach

Indicator	Reference (Page)
103-1 Explanation of the material topic and its boundary	The aspects reported on relate to the activities carried out by the Company and any direct impacts they may have.
103-2 The management approach and its components	26-36; 52-53, 57-59; 91-92; 128-129

## Economic performance indicators

Indicator	Reference (Page)
201-1 Direct economic value generated and distributed	170
201-4 Financial assistance received from government	180

## Anti-competitive behavior

Indicator	Reference (Page)
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2020, there was no legal action regarding anti-competitive behavior, or anti-trust or monopoly practices.

## Materials

Indicator	Reference (Page)
301-1 Materials used by weight or volume	96-97
301-2 Recycled materials used	96-97

## Energy

Indicator	Reference (Page)
302-1 Energy consumption within the organization	94-95
302-3 Energy intensity	95-96
302-4 Reduction of energy consumption	94-95

## Water

Indicator	Reference (Page)
303-1 Total water withdrawal by source	97

## Biodiversity

Indicator	Reference (Page)
304-1 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	104-108

## Emissions

Indicator	Reference (Page)
305-1 Total direct greenhouse gas (GHG) emissions (scope 1)	101;102
305-2 Total indirect greenhouse gas (GHG) emissions (scope 2) (generated off site during combustion of the energy source)	101
305-4 Greenhouse gas (GHG) emissions intensity	102-103
305-5 Reduction of greenhouse gas (GHG) emissions	100

## Effluents and waste

Indicator	Reference (Page)
306-1 Total water discharge by quality and destination	107
306-2 Total weight of waste by type and disposal method	105-108

## Environmental compliance

Indicator	Reference (Page)
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307-1	Non-compliance with environmental laws and regulations	109-112
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## Employment

Indicator		Reference (Page)
401-1	New employee hires and employee turnover	124
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	120;130
401-3	Parental leave	120;130

## Occupational health and safety

Indicator		Reference (Page)
403-1	Workers representation in formal joint management-worker health and safety committees	120-121
403-2	Types of accident and accident frequency rates, work-related illnesses, days lost, absenteeism and number of deaths due to occupational accident or illness	122-123

## Training and education

Indicator		Reference (Page)
404-1	Average hours of training per year per employee	124
404-2	Programs for upgrading employee skills	124-128
404-3	Percentage of employees receiving regular performance and career development reviews	126

## Diversity and equal opportunities

Indicator		Reference (Page)
405-1	Diversity of governance bodies and employees	46;113
405-2	Ratio of basic salary and remuneration of women to men	118

## Non-discrimination

Indicator		Reference (Page)
406-1	Incidents of discrimination and corrective actions taken	132

## Freedom of association and collective bargaining

Indicator		Reference (Page)
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2020, no significant operations or suppliers were detected in which the right to freedom of association and collective bargaining may be breached or at risk

## Local communities

Indicator		Reference (Page)
413-1	Operations with local community engagement, impact assessments, and development programs	137-140

## Customer health and safety

Indicator		Reference (Page)
416-1	Assessment of the health and safety impacts of product and service categories	152-153



## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

### Marketing and labeling

Indicator	Reference (Page)
417-3 Incidents of non-compliance concerning marketing communications	In 2020, there were no incidents of non-compliance with regulations or voluntary codes concerning marketing communications

### Customer privacy

Indicator	Reference (Page)
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	133-134

### Socioeconomic compliance

Indicator	Reference (Page)
419-1 Non-compliance with laws and regulations in the social and economic area	In 2020 Adif AV was not handed any significant sanctions or fines due to non-compliance with regulations in the social and economic area

## 8. APPENDIX I: CONTENTS

Table of contents required under Spanish Law 11/2018, of 28 December, amending the Spanish Code of Commerce, the consolidated text of the Corporate Enterprises Act passed by means of Royal-Legislative Decree 1/2010, of 2 July, and the Audit Act (Law 22/2015), of 20 July, in respect of non-financial and diversity information.

### General areas

Topics		Reporting framework	Reference	Comments / Reason for omission
<b>Business model</b>	Description of the business model	GRI 102-2 Activities, brands, products and services	6-44; 52-53	
	Business environment	GRI 102-3 Location of headquarters		
	Organisation and structure	GRI 102-4 Location of operations		
	Markets served	GRI 102-15 Key impacts, risks, and opportunities		
	Objectives and strategies	GRI 102-6 Markets served		
	Main trends and factors that could affect future development	GRI 102-7 Scale of the organization		
<b>Key risks and impacts identified</b>	Risk management	102-15 Key impacts, risks and opportunities	57-59	
<b>Key risks and impacts identified</b>	Assessment of risks and impacts related to key topics	102-15 Key impacts, risks and opportunities	58	

### Environmental matters

Topics		Reporting framework	Reference	Comments / Reason for omission
<b>Environmental management</b>	Current and foreseeable effects of the company's operations	GRI 307-1 Non-compliance with environmental laws and regulations	91-92	
	Environmental assessment or certification procedures	Qualitative description of assessments and certificates	91-93	
	Resources dedicated to the prevention of environmental risks	Qualitative description of resources dedicated to the prevention of environmental risks	93	
	Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	57-59	
	Amount of provisions and safeguards for environmental risks	Qualitative description of provisions for contingent liabilities	93	Adif AV keeps no such accounting record
<b>Pollution</b>	Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution)	Qualitative description of measures to prevent, reduce or repair carbon emissions	97-99;104	
<b>Circular economy and waste</b>	Waste prevention, recycling and reuse measures and other forms	GRI 306-1 Water discharge by quality and destination	105-108	

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Topics		Reporting framework	Reference	Comments / Reason for omission
<b>prevention and management</b>	of waste recovery and disposal	GRI 306-2 Waste by type and disposal method		
	Actions to combat food waste		n/a	This indicator is not considered material given the Company's activities
<b>Sustainable use of resources</b>	Responsible water consumption and supply based on local restrictions	GRI 303-1 Total water withdrawal by source	97	
	Consumption of raw materials	GRI 301-1 Materials used by weight or volume	96-97	
	Measures in place to ensure more efficient use of resources			
	Direct and indirect energy consumption	GRI 302-1 Energy consumption within the organization	94-95	
		GRI 302-3 Energy intensity	95-96	
	Measures in place to improve energy efficiency	GRI 302-4 Reduction of energy consumption	94-96;100-103	
	Use of renewable energies	GRI 302-1 Energy consumption within the organization		
<b>Climate change</b>	Important aspects of greenhouse gas (GHG) emissions generated	GRI 305-1 Direct (Scope 1) GHG emissions	100-103	
		GRI 305-2 Energy indirect (Scope 2) GHG emissions		
		GRI 305-4 GHG emissions intensity		
	Measures in place to adapt to the consequences of climate change	Qualitative description of measures taken to adapt to the consequences of climate change	97-98;103-104	
<b>Protection of biodiversity</b>	Measures in place to preserve or restore biodiversity	GRI 304-3 Habitats protected or restored	108-111	
	Impacts caused by activities or operations in protected areas	GRI 304-1 Description of the most significant impacts on biodiversity in protected areas or in areas of high biodiversity value outside protected areas	104-108	
		GRI 306-5 Water bodies affected by water discharges and/or runoff		

### Social and employee-related matters

Topics		Reporting framework	Reference	Comments / reason for omission
<b>Employment</b>	Total number and breakdown of employees by gender, age, country and job category	GRI 102-8 Information on employees and other workers	26;113-118	
	Total number and distribution of types of employment contract	GRI 102-8 Information on employees and other workers	116-117	
	Average annual number of permanent, temporary and part-time contracts by gender, age and professional category,	GRI 102-8 Information on employees and other workers	117-118	
		GRI 401-1 New employees hires and employee turnover		

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Topics		Reporting framework	Reference	Comments / reason for omission
	Number of dismissals by gender, age and job category	GRI 102-8 Information on employees and other workers	119	
	Gender pay gap	GRI 405-2 Ratio of basic salary and remuneration of women to men	118	
	Average remuneration by gender, age and job category	Quantitative description of average employee remuneration by gender, age and professional category	118	
	Average remuneration of directors, by gender	Quantitative description of average remuneration of directors by gender	118-119	
	Average remuneration of executives, by gender	Quantitative description of average remuneration of executive officers by gender	118	
	Implementation of work disconnection policies		n/a	Adif AV has no work disconnection policies in place
	Employees with disabilities	GRI 405-1 Diversity of governance bodies and employees	119	
<b>Work organisation</b>	Organisation of work time	Qualitative description of the organisation of working hours	119	
	Number of hours of absenteeism	GRI 403-2 Types of accident and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of fatalities by occupational accident or occupational disease	119	
	Measures aimed at improving the work-life balance and ensuring a suitable balance between both parents	GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	120;130	
		GRI 401-3 Parental leave		
<b>Health and safety</b>	Health and safety conditions in the workplace	GRI 403-2 Types of accident and frequency rate of accidents, occupational diseases, days lost, absenteeism and number of fatalities by occupational accident or occupational disease	120-121	
	No. of work-related injuries and illnesses by gender, their frequency and seriousness		122-123	
<b>Labour relations</b>	Organisation of dialogue with employees	403-1 Workers representation in formal joint management– worker health and safety committees	120-121	
	Percentage of employees covered by collective bargaining agreements, by country	GRI 102-41 Collective bargaining agreements	121	
	Description of collective bargaining agreements, particularly in the field of occupational health and safety	Qualitative description of collective agreements and their application in the realm of health and safety	120-121	
<b>Training</b>	Policies introduced in the field of training	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	123-129	
	Total training hours by job category	404-1 Average hours of training per year per employee	128-129	
<b>Equality</b>	Measures put in place to foster equal treatment and opportunities for women and men	GRI 405-2 Ratio of basic salary and remuneration of women to men	128-132	

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

Topics		Reporting framework	Reference	Comments / reason for omission
	Equality plans and measures taken to promote employment, protocols to combat sexual and gender-based harassment	GRI 405-1 Diversity of governance bodies and employees	128-132	
	Integration and universal accessibility for persons with disabilities	GRI 405-1 Diversity of governance bodies and employees	135-137	
	Anti-discrimination policy and, where applicable, diversity management policy	GRI 406-1 Incidents of discrimination and corrective actions taken	132	

### Information on the respect for human rights

Topics		Reporting framework	Reference	Comments / reason for omission
<b>Application of human rights due diligence processes</b>		GRI 102-16 Values, principles, standards, and norms of behavior	n/a	Due to its activity Adif AV has not found it necessary to apply any due diligence procedures in relation to human rights
<b>Measures to prevent the risk of human rights abuses and, where appropriate, measures to mitigate, manage and redress any abuses committed</b>		Qualitative description of measures to prevent risks of human rights violations	56-57	
<b>Reports of human rights abuses</b>		GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	56-57	
<b>Promotion of and compliance with the provisions contained in the ILO's fundamental conventions on the freedom of association, the right to collective bargaining, the elimination of workplace discrimination and of all forms of forced or compulsory labor and the abolition of child labor.</b>		GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	56-57	

### Information on anti-corruption and bribery

Topics		Reporting framework	Reference	Comments / reason for omission
<b>Measures in place to prevent corruption and bribery</b>		GRI 102-16 Values, principles, standards, and norms of behavior	55-56	
<b>Measures to combat money laundering</b>		Qualitative description of anti-money laundering measures	53-55	
<b>Contributions to foundations and non-profit organisations</b>		GRI 201-1 Direct economic value generated and distributed	155	

### Information related to society

Topics		Reporting framework	Reference	Comments / reason for omission
<b>Commitments of the Company to sustainable development</b>	Impact of the Company's activities on employment and local development	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	154-155	

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

	Impact of the Company's activities on local populations and territories	GRI 102-12 External initiatives	154-155	
	Relations maintained with local community agents and forms of dialogue with those agents	GRI 102-43 Approach to stakeholder engagement	137-140	
	Association or sponsorship actions	GRI 102-13 Membership of associations	139-140	
<b>Outsourcing and suppliers</b>	Making social, gender equality and environmental concerns part of the procurement policy	GRI 102-9 Supply chain	152-153	
		GRI 102-10 Significant changes to the organization and its supply chain		
	Consideration of social and environmental responsibility concerns in relations with suppliers and subcontractors	GRI 102-9 Supply chain	152-153	
		GRI 102-10 Significant changes to the organization and its supply chain		
	Supervision and audit systems and the results of those systems	GRI 102-9 Supply chain	152-153	
		GRI 102-10 Significant changes to the organization and its supply chain		
		GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		
<b>Consumers</b>	Measures to protect the health and safety of consumers	GRI 416-1 Assessment of the health and safety impacts of product and service categories	72-74	
	Grievance and claims systems	Qualitative description of complaints and claims systems	132-133	
	Complaints received and the solution or response given	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	132-134	
<b>Tax information</b>	Country-by-country profits	GRI 201-1 Direct economic value generated and distributed	169	Adif AV pays taxes in Spain only
	Income tax paid	Quantitative description of profit before and after tax	169	Adif AV pays taxes in Spain only
	Public subsidies received	GRI 201-4 Financial assistance received from government	179	

## 9. APPENDIX II: INDICATORS SHOWING ADIF AV'S CONTRIBUTION TO THE COUNTRY'S SOCIOECONOMIC DEVELOPMENT

<b>Socioeconomic contribution – Adif AV</b>			<b>2020</b>	<b>2019</b>
<b>Economic</b>	Generation of wealth	Expenditure on personnel (wages) (thousands of euros)	16,752	15,817
		Contribution to stakeholders (economic value distributed)	1,015.2	1,114.4
	Taxes paid	Employee taxes paid (Social Security)	3,120	3,112
		Employee taxes paid (personal income tax)	2,682	2,857
	Promoting economic activity	Use of EU funds (%)	1.12	1.11
		Amount awarded for construction work (€M) (excl. VAT)	340.39	2,224.72
		Expenses incurred on high-speed network maintenance work (€M) (excl. VAT)	295.80	298.9
		Expenses incurred in high-speed network operations (€M) (excl. VAT) (in reference to traffic management)	26.70	29.5
	<b>Social</b>	Number of direct jobs created	218	218
		% permanent jobs	95.87%	98.17%
		Training hours (total)	20,113.00	12,824.00
		Investment in training (€) (Adif and Adif AV)	3,082,230	4,227,744
		Investment in developing the high-speed network (€M) (excl. VAT)	1,062.54	1,110.22
		Kms of total network under management	3,622	3,456
		Train traffic (daily average)	691	952
		Number of stations owned by Adif AV	42	42
		Number of passenger station users	71,138,380	163,081,564
		Station modernisation (millions of passengers to have benefited)	23.02	139.89
		No. of companies operating on the Adif AV network (liberalised business)	15	15
		Urban integration (€M of cumulative investment)	4,194.16	4,067.16
		Number of stations with <i>Dialoga</i> service	20 (16 high-speed)	20 (16 high-speed)
	Accessibility	Passengers boarding / alighting at accessible stations (% passengers)	84.76%	85.07%
		Investment in accessibility improvement work (€M)	7.92	12.70
		Number of activities of the Open Station programme	197	486
	Social action / contribution to the community	Percentage of purchases with responsible criteria	100	100
		Number of non-profit organisations with which	71	106

## ADIF ALTA VELOCIDAD 2020 MANAGEMENT REPORT

		the Company collaborates		
		Investment in the community (loss of profit – <i>Open Station</i> )	267,269	958,548
		Percentage of media information enquiries answered	100%	100%
		Sponsorship agreements signed with non-profit organisations (Adif and Adif AV)	0	2
		Involvement in international associations and organisations	224	224
	Knowledge and research	Involvement in international projects and activities	45	98
		Number of R&D projects (Adif and Adif AV)	41	31
		Investment in R&D (€M)	3.32	1.14
		Number of new patents, technology transfer agreements and manufacturing licences	22 / 11	20 / 16
		Number of companies based at the Centre for Railway Technologies	21	22
		Number of companies taking part in the initiative launched by Adif AV and The Railway Innovation Hub Spain association	80	82
		Number of digital transformation initiatives in progress	23	20
		Investment in digital transformation (€M)	5.35	6.80
		Reduction of GHG emissions (Tn of CO <sub>2</sub> )	13,028	22,712
	Environmental	Improvement in energy efficiency (GWh equivalent)	104.18	103.56
		Estimated cumulative reduction in energy consumption for the 2018-2030 period (Gwh eq.) (Adif and Adif AV)	2,900	2,900
		Cumulative emissions reduction for the Plan horizon through to 2030 (ktCO <sub>2</sub> eq) (according to electricity mix) (Adif and Adif AV)	3,700	3,700
		Carbon footprint reduction target by 2030 (%) (Adif and Adif AV)	86%	86%
		Percentage of energy purchased with GdO certificate (Adif and Adif AV)	100%	100%
		Percentage of renewable energies	No data	No data
		Resources deployed for environmental protection (investment + operation) (€M)	59.854 (figure for year-end 2018)	75.123 (figure for year-end 2017)
	Minimisation of impacts	Expenditure on fire prevention (€M)	€2,897,854	€2,230,719
		Number of environmental review reports (projects)	207	225
		Number of environmental monitoring reports for construction work not	190	74



		subject to environmental impact statement (EIS)		
		Number of regulatory reports related with environmental monitoring of works subject to environmental impact statement (EIS)	412	248
		Hazardous waste managed (Tn)	0.69	2.64
		Waste recovered (%)	100	100

## 10. FINANCIAL INFORMATION

### 10.1. Analysis of activity and performance

The main items of Adif AV's 2020 income statement compared to previous years are presented below:

Figures in millions of euros	2019	2020
<b>Operating income</b>	1,168.7	806.7
<b>Operating expenses</b>	1,140.5	1,066.3
<b>Operating profit/(loss)</b>	28.2	-259.6
<b>EBITDA</b>	280.6	-8.5
<b>Net finance income/(cost)</b>	-207.4	-201.3
<b>Profit/(loss) before tax</b>	-179.2	-460.9
<b>Profit/(loss) for the year</b>	-179.2	-460.9

Adif AV reported a loss before tax of €460.9 million in 2020 to €179.2 in 2019, a year-on-year decrease of €281.6 million or 157%.

The most significant changes in income statement headings are as follows:

- Operating loss of €259.6 million compared to operating profit of €28.2 in 2019, a difference of €287.8 million.

The main changes were:

- A 46% drop in revenue to €283.6 million following the declines in sustained in March to December 2020 caused by lower traffic resulting from the state of alarm declared in the wake of the COVID-19 pandemic and the ensuing crisis, not to mention the impact of the adjustments to the C1 parking fee for services subject to public service obligations (obligaciones de servicio público, or OSP).
- A 21% fall in other operating income, from €436.2 million in 2019 to €345.2 million in 2020. This decrease was due to a reduction in rental and service income caused by the measures put in place to mitigate the impact of the health and economic crisis caused by COVID-19.

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Revenue from electricity supply also fell during the year by €65.4 million, though this was partially offset by a reduction in expenditure on energy purchases.

- A 12% or €90 million decline in "Other operating expenses" from 2019, of which €61 million related to reducing spending on traction power and €12.6 million to third-party investment and other, which were offset by revenue in the same connection. There was also a reduction in infrastructure maintenance costs associated with track exploration along the Adif AV network.
  - Net finance cost in 2020 was €201.3 million in 2020, compared to €207.4 million in 2019. This was mainly the result of:
    - A 6% year-on-year fall in finance costs, from €333 million in 2019 to €313 million in 2020. This decline was largely due to a reduction in the average debt rate from 1.79% in 2019 to 1.70% in 2020. Meanwhile, the measures deployed by the Company in 2020 led to sharp reduction in the estimated provision for finance costs for late interest payments due to contractors and persons subject to compulsory purchase orders.
- "Impairment and gains/(losses) on disposal of financial instruments" in 2020 included €4.7 million of impairment on non-trade receivables from associates. This, coupled with the increase in the provision for write-downs of interests in integration JVs, explains the change of €9.5 million from 2019.
- Finance income was down 3%, largely due to the commissioning of high-speed lines and the resulting reduction in income from the capitalisation of the related finance costs.

All of the above gives rise to the following figures **for economic value generated, distributed and retained** in 2020.

Figures in € million	2019	2020
<b>Economic value generated*</b>	1,187.6	805.4
<b>Economic value distributed **</b>	1,114.4	1,015.2
<b>Economic value retained***</b>	73.2	-209.8

(\*) *Economic value generated: ordinary + extraordinary income*

(\*\*) *Economic value distributed: operating expenses + finance costs + taxes*

(\*\*\*) *Economic value retained: Economic value generated – Economic value distributed*

Adif AV comprises the following business segments:

- ✓ **Network management:** includes the processes of capacity management, traffic safety, network statement, rail infrastructure maintenance and traffic management.
- ✓ **Construction:** includes construction of the lines entrusted to the Company.
- ✓ **Management of stations and other assets:** this segment includes station management, meaning all activities needed to provide services to the end customer, as well as telecommunications management and management of other assets.
- ✓ **Energy:** managing the supply of electricity.

The following table shows Adif AV's 2020 operating income by business segment:

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(In € thousand)	TOTAL	Network management	Construction	Energy	Management of stations and other assets	Common expenses
Revenue	327,388	283,958	0	0	43,430	0
Self-construction property, plant and equipment	10,391	0	10,179	0	212	0
Cost of sales	23,959	0	23,959	0	0	0
Other operating income	309,907	3,281	-11,377	199,531	118,057	415
Staff costs	-27,840	-295	-22,462	-483	-2,315	-2,285
Other operating expenses	-654,750	-322,496	-1,502	-206,029	-105,397	-19,326
Profit/(loss) from intra-group transactions	2,439	-5,292	0	7,089	-295	937
<b>EBITDA</b>	<b>-8,506</b>	<b>-40,844</b>	<b>-1,203</b>	<b>108</b>	<b>53,692</b>	<b>-20,259</b>
Amortisation and depreciation	-373,840	-328,327	-76	-90	-44,637	-710
Recognition of non-financial and other grants	120,588	116,308	0	0	4,227	53
Impairment and gains/(losses) on disposal of assets	2,165	-2,012	-101	-201	4,479	0
Non-recurring income/(expense)	0	0	0	0	0	0
Share of overheads	0	-6,849	-10,518	-789	-2,760	20,916
<b>OPERATING PROFIT/(LOSS)</b>	<b>-259,593</b>	<b>-261,724</b>	<b>-11,898</b>	<b>-972</b>	<b>15,001</b>	<b>0</b>

## 10.2. Financial indicators for the business

The following table shows various general economic and financial indicators:

	2018	2019	2020
<b>SELF-FINANCING RATIOS</b>			
LEVEL OF AUTONOMY Indicates the degree of autonomy in respect of third-party financing	53.33%	52.70%	52.05%
FINANCING OF FIXED ASSETS Indicates the % of long-term financing for non-current assets	98.17%	98.61%	98.40%
<b>PROFITABILITY RATIOS</b>			
TOTAL ASSET TURNOVER Indicates the degree of efficiency when it comes to asset management	2.14%	2.22%	1.40%
FIXED ASSET TURNOVER Indicates the degree of efficiency in managing fixed assets	2.16%	2.25%	1.43%
CURRENT ASSET TURNOVER Indicates the degree of efficiency in managing current assets	197.61%	148.68%	85.26%
<b>LIQUIDITY RATIOS</b>			
LIQUIDITY RATIO Indicates how many monetary units are liquid for every 100 assets	1.08%	1.49%	1.65%
CASH RATIO Shows the Company's ability to honour its current payment commitments	0.37	0.52	0.51
SOLVENCY RATIO Indicates the Company's ability to cover its liabilities with its assets	2.14	2.11	2.09
FINANCIAL PROFITABILITY Shows the return on own funds	-1.60%	-1.28%	-3.32%
ECONOMIC PROFITABILITY Effective capacity to remunerate all capital available to the Company, both own and third-party	-0.49%	-0.38%	-0.96%
WORKING CAPITAL (€million) Indicates the Company's ability to honour its short-term obligations	-833.94	-643.77	-755.56

Average supplier payment period: In accordance with Additional Provision Three of Law 15/2010 of 5 July, the following table provides information for 2018, 2019 and 2020 on payment deferrals made to suppliers, as per the methodology set out in the Resolution of the Spanish Accounting and Audit Institute of 29 January 2016:

<b>Payments made and outstanding at 31 December</b>			
	2018	2019	2020
	Days	Days	Days
Average supplier payment period	55.53	50.58	54.86
Ratio of transactions paid	57.63	51.37	56.92
Ratio of transactions outstanding	27.38	37.42	34.81
	Amount (€ thousand)	Amount (€ thousand)	Amount (€ thousand)
Total payments made	1,746,167	1,755,053	1,550,533
Total payments outstanding	130,573	104,520	159,131

### 10.3. Railway charges

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The following table shows revenues by charge/tariff for 2019 and 2020:

Pursuant to the Rail Sector Act (Law 38/2015 or LSF for its acronym in Spanish), Adif AV charges railway companies for use of railway lines attached to the General Interest Railway Network (RFIG) and for the use of stations and other railway facilities.

The Rail Sector Act transposes into Spanish the rules contained in Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012. It covers almost all aspects of railway legislation, including matters relating to the transparency and sustainability of railway infrastructure financing, and provides a new and more complete classification of railway-related services and new and more precise rules on charging for access to railway infrastructure.

Title VI of the Act regulates the economic and tax regime of the railway sector in a bid to strike a balance between the economic viability of the system and the promotion of rail transport. It seeks to provide incentives to improve network performance, reduce disturbances, optimise the use of the infrastructure and reduce the costs of making it available. It also governs the legal regime of charging for the use of railway lines and for the use of service facilities and provides an updated tariff regime for the provision of services, thus advancing free access to service activities without compromising the sustainability of the railway infrastructure.

Article 23 of the Act explains the remit of the general rail infrastructure managers, including the fixing, review and collection of railway infrastructure charges, in accordance with applicable law and regulations.

Meanwhile, Article 100 states that any proposal to modify or review the charges must emanate from the rail infrastructure manager, that any such proposal must be subject to consultation with the railway corporations and to a report by the National Commission for Markets and Competition, and that the specific amounts of the fees must be fixed and then delivered to the Ministry of Public Works for their inclusion in the preliminary draft of the General State Budget Law.

Although the general rail infrastructure manager Adif AV drew up a tariff proposal for 2020, which was submitted in due course for consultation with the railway corporations and made subject to a report by the National Commission for Markets and Competition, the tariffs applied in 2020 were actually the 2018 tariffs enacted by Law 6/2018 on the General State Budget for 2018. This is because the 2018 law has been extended until the General State Budget Law for 2020 is enacted, which has yet to occur.

The methodology for calculating the charges, in accordance with applicable European regulations and the Rail Sector Act, is to pass on to the railway operator all the costs directly attributable to the rail service.

The tariffs set for 2018 —applicable from 1 August 2018 until 31 December 2020— were calculated in accordance with the model for determining railway charges established by Directive 2012/34/EU, the Rail Sector Act and Regulation (EU) 2015/909, based on the costs directly attributable to the operation of the railway service for 2016 (last closed and audited financial year), broken down by high-performance lines (A lines) and other lines (Non-A lines).

The following costs are directly attributable to the rail service provided:

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- costs of the capacity adjudication process, traffic management, traffic safety and replacement of safety and traffic control facilities (recoverable under mode A)
- railway infrastructure maintenance and upkeep costs (recoverable under mode B).
- electrification installation maintenance and upkeep costs, and the related replacement costs (recoverable under mode C).

Financial expenses, replacement costs corresponding to platform, tunnels, bridges, track, buildings and resources used for maintenance and conservation, as well as the expenses needed to ensure a reasonable development of such infrastructures and all costs that allow the rail infrastructure manager to achieve the economic sustainability of the infrastructure it manages, may all be recovered, provided that the market can accept it, by adding them to the full amount chargeable for the use of railway lines (mode B).

The following table shows revenues, by charge type, in 2020 and 2019:

(In € thousand)	2020	2019
<b>CHARGE FOR USE OF INFRASTRUCTURE</b>	<b>268,075</b>	<b>497,618</b>
<i>Adjudication of capacity</i>	52,413	90,771
<i>Use of railway lines</i>	197,085	371,362
<i>Use of transformer and distribution installations</i>	20,661	36,047
<i>Discounted charge for use of RFIG lines</i>	-2,084	-562
<b>Charge for use of stations and other facilities</b>	<b>59,007</b>	<b>113,100</b>
<i>Use of Passenger stations</i>	43,000	83,208
<i>Variable gauge</i>	3,377	4,626
<i>Use of Track with platform</i>	12,630	25,266
<b>TOTAL CHARGES</b>	<b>327,082</b>	<b>610,718</b>

The COVID-19 crisis severely affected rail traffic in 2020 and tariff income was inevitably impacted by the public health emergency caused by the pandemic and the ensuing disruption to the global economy.

As a result, tariff revenue in 2020 was down 45.78% on 2019 due to the reduction in rail traffic amid the pandemic and the mobility restrictions put in place.

### 10.3.1. Charges for use of RFIG lines

Revenue earned from use of RFIG lines in 2020 fell by 46% year-on-year owing to a 39% drop in production.

Overall traffic, measured in terms of train-km, fell 39% from 60.3 million train-km in 2019 to 36.6 million in 2020. This change was down to quieter levels of traffic on all lines.

The following table shows changes in the number of train-km running in 2020 and 2019 on the main Adif AV lines:

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	2019	2020	CHANGE	% CHANGE
<b>THOUSANDS OF TRAIN-KM FROM USE OF THE RFIG</b>				
MADRID – ANDALUSIA	18,670	10,738	-7,932	-42.5%
MADRID – LEVANTE	7,773	4,813	-2,960	-38.1%
MADRID – BARCELONA – FRENCH BORDER	17,636	9,882	-7,754	-44.0%
MADRID – VALLADOLID – LEÓN – ZAMORA	5,556	3,156	-2,400	-43.2%
OTHER LINES	10,708	8,088	-2,620	-24.5%
<b>TOTAL</b>	<b>60,343</b>	<b>36,677</b>	<b>-23,666</b>	<b>-39.2%</b>

To encourage the efficient operation of the rail network and promote new rail transport services in accordance with Article 97.6 of Law 38/2015, in 2020 Adif AV established a discount on the charge for use of the lines that make up the General Interest Rail Network (RFIG), under modes A and B, for annual increases in traffic in accordance with the criteria set out in that law.

The following lines were offered at a discount in 2020 along the network of Adif AV:

Lines along High-Speed Axis 11 Madrid Chamartín – Valladolid – Bifurcación Venta de Baños.

Lines along High-Speed Axis 12 Madrid Atocha – Barcelona – French Border.

Lines along High-Speed Axis 13 Madrid Atocha – Levante.

Lines along High-Speed Axis 14 Madrid Atocha – Toledo / Sevilla Sta. Justa / Málaga María Zambrano.

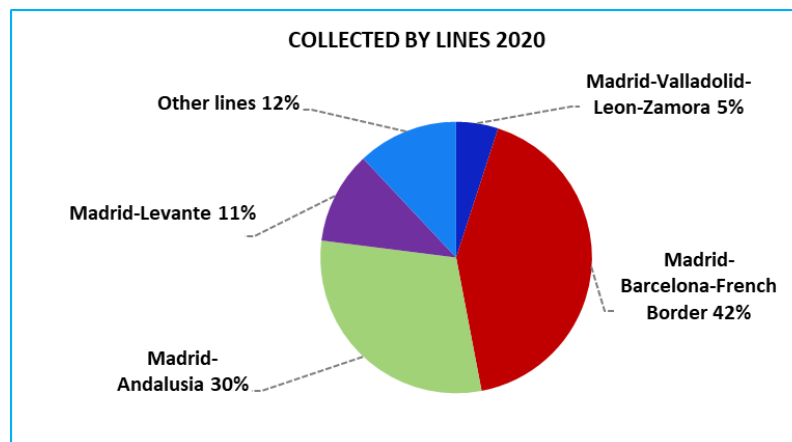
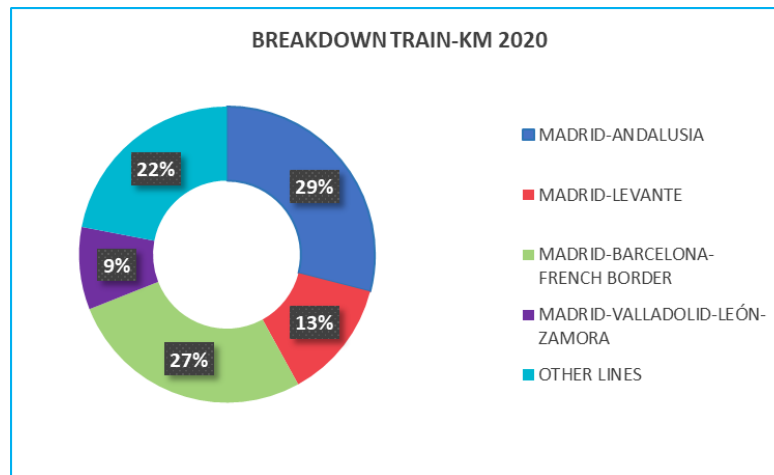
Lines along High-Speed Axis 16 Olmedo – Medina – Zamora – Galicia.

In response to the ongoing COVID-19 pandemic, the requirements for claiming the discount to incentivise the growth of the rail transport sector were eased, with the benchmark and target traffic both modified, thus leading to an increase of 265% with respect to 2019.

The discount generated in 2020 amounted to €2,083 thousand, compared to €571 thousand in 2019. As just mentioned, this reduction can be explained by the benchmark and target traffic levels set in 2020 to mitigate the effects of the pandemic.

The following charts show the breakdown of revenue and train-km travelled in 2020 along the main lines of Adif AV:

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### 10.3.2. Charges for use of stations and other facilities

Revenue from charges for station usage fell by 93% in 2020 due to the mobility restrictions put in place because of the pandemic.

Revenue from charges for station usage fell by 41% compared to 2019 and revenue from the addition station usage intensity by 63%.

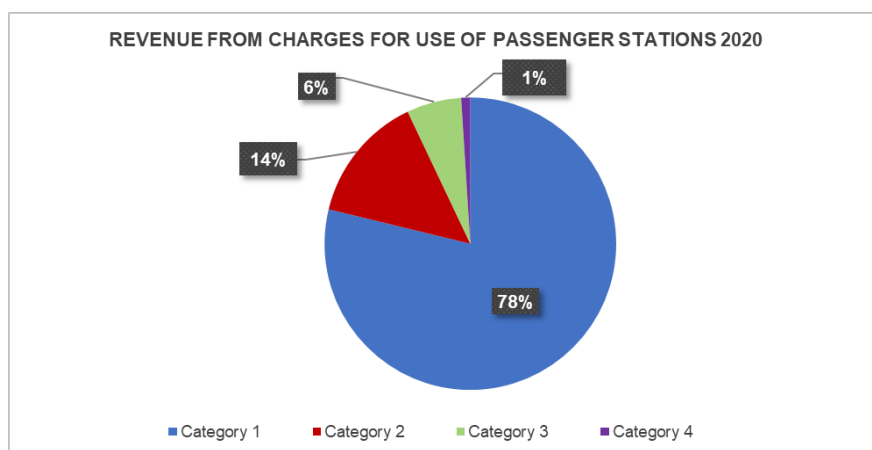
The change in the number of passengers boarding and disembarking at stations in 2020 compared to 2019 is shown below:

	2020	2019	% CHANGE
PASSENGERS	70,250,090	162,025,045	-130.64%

The following chart shows the distribution by station category of the charges earned from use of Adif AV stations:



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Total revenue from charges for use of other facilities fell by 87% from 2019.

For comparative purposes, it is particularly relevant to analyse the revenue earned from charging for the use of tracks with platforms at stations for the stabling of trains for commercial passenger services and other operations.

Focusing on the amount shown in 2020, it should be noted that the stabling of trains at passenger stations in 2020 as a result of the pandemic was not due to commercial decision-making of the railway corporations, but to the need to adapt to ongoing needs as the pandemic unfolded. This situation required ongoing collaboration between Adif AV and the railway corporations to offer citizens safe transport services. As a result, stabling times were set without regard to rational operating criteria.

That explains why Adif AV opted for a different calculation method for 2020 that aims to be equitable when determining the impact of the pandemic on this charge.

Broadly speaking, the method involves applying, for each station, the amount of the valuation carried out for financial year 2019 (the last year in which stabling was carried out without restriction, and in accordance with the requests and commercial criteria of the railway companies), corrected by a factor to reflect the impact of the pandemic on rail traffic in 2020. This factor is the proportion of trains scheduled in 2020 to those scheduled in 2019, which have their origin or destination at each of the stations subject to valuation.

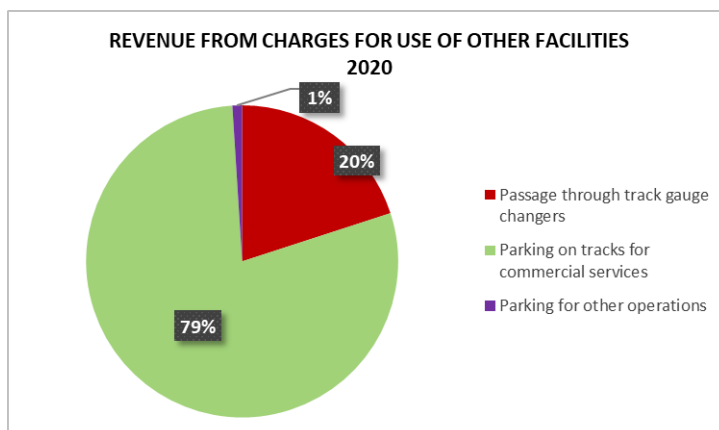
Due to the aforementioned change in the calculation methodology, new appraisals of the track occupancy charts were drawn up, thus generating corrective settlements for the years 2020, 2019 and 2018, the amount of which was recorded in full in 2020.

The relevant amounts for each financial year are as follows:

Year	€thousand
2018	-7,357
2019	8,148
2020	-6,862
<b>TOTAL</b>	<b>-6,071</b>

As for the amount shown for 2019, following the extinction of the discount set out in Transitional Provision Three of the Rail Sector Act, the assessments of the track occupation charts for 2018 and 2019 were reworked in accordance with the new circumstances and the charges that had not been paid due to the effectiveness of the discount were calculated. These charges amounted to €14,713 thousand and were recorded in full in financial year 2019.

The following chart shows the breakdown of revenue from charges for other facilities in 2020:



### 10.4. Financing through green bond issues

On 12 February 2020, Adif AV placed its fourth issuance of fixed income securities under the Green Bond format. This transaction is part of the objectives envisioned in our Strategic Plan for the coming years; 2030 Transformation Plan and the Company's firm commitment to sustainability, as discussed in previous sections of this report. Our entire strategy is aligned with



the Sustainable Development Goals (SDGs) of the United Nations and moreover the Plan sets specific strategic objectives in a bid to improve our impact on society from economic, social, environmental and good governance dimensions. For instance, Objective 3.2 of the Strategic Plan of Adif AV is "to contribute to an environmentally-friendly mode of transport that makes responsible use of scarce resources". To achieve this, initiatives have been designed to combat climate change, incorporate circular economy projects, apply green purchasing

criteria and enhance the environmental monitoring system.

Along these lines, Adif AV carries out its activity as a sustainable issuer, in compliance with the Green Bonds Principles (GBP) of ICMA (International Capital Market Association), and in September 2019 it renewed the framework it had adopted back in 2017 with the aim of ensuring the transparency, disclosure and integrity of its Green Bond issues, while also opening up the possibility of financing through other instruments such as Green Loans.

Under the current framework, the Company remains committed to allocating the proceeds from its green financing instruments to Eligible Green Projects, whether new projects or the continuation of ongoing projects. The proceeds are allocated from two years ahead of the bond issuance up to 24 months following date of issuance. More precisely, Adif AV has pledged to allocate the funds obtained through these bonds to the two categories of projects described below:

- Investments related to new high-speed rail lines and the extension of existing high-speed lines.

- b) Investments related to the maintenance, upgrading and energy efficiency of high-speed rail lines.

Furthermore, to provide investors with an independent measure of compliance with the Green Bond Principles, Adif AV commissioned CICERO (Center for International Climate Research) to review its framework of actions and issue a Second Opinion.

**The Green Financing framework of Adif AV has been awarded the highest rating (*Dark Green*) by CICERO.**

The Second Opinion issued by CICERO on the new Framework upholds the highest rating of “DARK GREEN” and confirms compliance with the ICMA Principles within the framework of Adif AV’s green financing instruments.

CICERO’s assessment also includes an analysis of the governance structure of the Green Finance Framework, rating it as “Excellent”.

The main features of Adif AV’s third green bond issue are as follows:

- ✓ Amount: €600,000,000
- ✓ Effective date: 29 January 2020
- ✓ Payment date: 12 February 2020
- ✓ Maturity date: 30 April 2030
- ✓ Coupon: 0.55% per annum
- ✓ Net amount: €597,558,000

Adif AV is now the main issuer of green bonds in the Spanish public sector and the third largest issuer at national level, behind only Iberdrola and BBVA.

Sustainable financing grew by 45% in Spain in 2020 to €33.026 billion, according to data provided by the Spanish Observatory of Sustainable Financing – OFISO. One out of every 10 euros issued in the Spanish capital market is now sustainable.

Issuances of green, social and sustainable bonds in the country accounted for €15.024 billion of the above figure, 54% more than the previous year. Meanwhile, sustainable loans, including project finance, contributed €18.002 billion, up 38%.

Green bonds reached €9,123 million, up 44%, through 28 issuances by 22 different issuers, compared to 20 issuances and 14 issuers in the previous year.

In the fourth green bond issuance carried out in 2020, 55% of the investors who purchased these securities are socially responsible investors.

## 10.5. Liquidity and capital

The Company’s liquidity is managed centrally in order to optimise its available cash.

The following table shows cash and cash equivalents in 2019 and 2020:

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In €thousand	2019	2020
Net cash flows used in operating activities	(102,980)	(240,521)
Net cash flows used in investing activities	(948,103)	(895,083)
Net cash flows from financing activities	1,266,979	1,122,718
Net increase/(decrease) in cash and cash equivalents	215,896	(12,886)

The following table shows cash inflows from financing activities:

In €thousand	2019	2020
Grants received	103,344	134,345
Contributions from the State	311,574	311,574
Proceeds from and payments for financial instruments	852,061	676,799
<b>Total cash flows from financing activities</b>	<b>1,266,979</b>	<b>1,122,718</b>

The Company's liquidity is managed centrally in order to optimise its available cash.

Adif AV's working capital increased from a negative €643.8 million at 31 December 2019 to a negative €755.6 million at 31 December 2020, representing a net negative change of €111.8 million. This situation has not generated any liquidity stress for the Company, given the contributions received under the General State Budget for 2021 and the fact that external financing may be arranged subject to the authorised debt limit.

The Company also had a total of €485 million in undrawn short-term credit facilities in place with financial institutions at 31 December 2020. These facilities mature in the short term, with some of them tacitly rolling over each year, subject to a maximum number of rollovers.

The Company also pursues a policy of optimising its borrowing costs, reducing its reliance on external borrowing in 2020 as far as possible. While it was authorised to increase its long-term borrowings in by a nominal €1.89 billion, it only did so by €485 million during the year.

Indebtedness in terms of both bank borrowings and bond issues includes debt arranged by Adif AV mainly with the European Investment Bank, to finance investments made in previous years in property, plant and equipment, as envisioned in the Multi-year Action Plan.

On 26 January 2021, the prospectus for the EMTN Programme with a nominal amount of €8 billion was renewed on the Irish Stock Exchange and passported to the Spanish National Securities Exchange Commission (CNMV) on the same date.

The combination of interest rates and the diversification of funding sources placed the average interest rate of Adif AV's long-term liabilities at 1.70% per annum at 31 December 2020, with an average life of 9.36 years (1.79% per annum at 31 December 2019, with an average life of 9.82 years).

## 10.6. Coverage ratio – ESA (EUROPEAN SYSTEM OF ACCOUNTS)

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Spanish Royal Decree-Law 15/2013 of 13 December, on the restructuring of state-owned enterprise Administrador de Infraestructuras Ferroviarias (Adif) and other urgent economic measures, includes an Additional Provision One regulating the criteria and procedures to ensure compliance with the principle of financial sustainability of the new state-owned enterprise Adif AV and, consequently, with the requirements of national accounting regulations.

More specifically, the additional provision states that:

- Adif AV, in accordance with the principle of financial sustainability, shall ensure that the coverage ratio of production costs with sales revenues, as set out in the regulations governing national accounts, allows for its classification as a public unit included in the segment “Non-Financial Enterprises”.
- The timing and amount of the investments budgeted for and effectively executed must never jeopardise Adif AV’s status as a non-financial enterprise for national accounting purposes.

By virtue of this additional provision, the value of the ESA 2010 coverage ratio is calculated as at 31 December 2020, taking into account the amendments proposed by the Comptroller General of the State (IGAE) in this respect:

- The information on financial income has been broken down to show separate figures on the returns earned on financial investments and the income recognised through capitalisation of borrowing costs, thus meeting the 50% ratio, without netting the income from capitalisation of the total borrowing costs. To compare the figures on a like-for-like basis, the same criterion has been applied to the scenarios based on which the split was decided.
- For the purposes of calculating the ratio, the amounts relating to Mode A, the Addition to Mode A and the Addition to Mode B have not been included in the revenues from charging for infrastructure use, as they relate to commuter, city and intercity passenger services linked to Public Service Obligations that are not accepted by Eurostat as market revenues.
- An increase coefficient was applied to the accounting depreciation under the terms proposed by the Financial Comptroller for adjustment to straight-line depreciation. The value of this coefficient for 2019 was 0.80, which was provisionally applied to the 2020 amounts in line with the IGAE’s recommendation.

The values obtained at 31 December 2020 are as follows:

Revenues in National Accounts	612,485
Expenses in National Accounts	1,645,531
ESA Ratio – 2010	37.22%

While the Company failed to reach the 50% ratio in 2020, this situation will not entail its reclassification in national accounting terms, given the exceptional nature of the current climate amid the pandemic and the declaration of the state of alarm.

### 10.6.1. Investments carried out during the year

The following tables show the investments carried out in 2020 (compared to the previous year), broken down by type and by line:

TYPE	2020 €THOUSAND (including VAT)	2019 €THOUSAND (including VAT)	2018 €THOUSAND (including VAT)
ELECTRIFICATION AND TELECOMMUNICATIONS	127,897	71,185	88,029
PLATFORM	482,277	453,024	700,106
SIGNALLING AND SAFETY INSTALLATIONS	154,291	101,898	98,636
EQUIPMENT AND OTHER ACTIONS	195,804	213,966	195,630
VÍA	250,587	298,637	174,649
STATIONS AND FREIGHT TERMINALS	61,717	60,848	53,328
<b>TOTAL</b>	<b>1,272,573</b>	<b>1,199,557</b>	<b>1,310,378</b>

LINES	2020 €THOUSAND (including VAT)	2019 €THOUSAND (including VAT)	2018 €THOUSAND (including VAT)
VANDELLÓS-VALENCIA	52,574	24,357	32,581
H-S LINE LEVANTE	80,641	60,212	83,423
H-S LINE ALMERIA-MURCIA	40,753	38,590	21,379
H-S LINE BOBADILLA-GRANADA	43,120	36,120	73,241
VANDELLOS-TARRAGONA	20,825	19,258	39,091
PALENCIA-AGUILAR DE CAMPOO	682	4,315	586
CABCERA NORTE DE CHAMARTIN	7,956	12,268	857
H-S LINE ASTURIAS (VARIANTE DE PAJARES)	109,098	68,903	67,234
H-S LINE VENTA DE BAÑOS-PALENCIA-LEÓN-ASTURIAS	30,384	34,304	18,580
H-S LINE VALLADOLID-BURGOS-VITORIA	24,614	17,711	48,337
H-S LINE VITORIA-BILBAO-SAN SEBASTIÁN	132,714	111,467	68,155
H-S LINE MADRID-EXTREMADURA	140,760	162,531	139,286
H-S LINE GALICIA (OLMEDO-LUBIÁN-ORENSE)	277,829	362,645	487,652
H-S LINE ZARAGOZA-PAMPLONA (CASTEJÓN-PAMPLONA)	31,580	30,656	7,953
UIC CONNECTION, CHAMARTÍN-ATOCHA-TORREJÓN	27,731	19,157	36,329
ATLANTIC AXIS (CORUÑA-VIGO)	-34,485	17,453	30,532
ATTRIBUTABLE TO THE ENTIRE NETWORK	79,826	74,761	47,488
INVESTMENT IN OPERATING LINES	175,117	74,213	95,084
OURENSE BYPASS	4,752	14,472	1,393
STATIONS AND OTHER ASSETS	26,105	16,163	11,197
<b>TOTAL</b>	<b>1,272,573</b>	<b>1,199,557</b>	<b>1,310,378</b>

### 10.6.2. Information on procurement

The following tables provide detailed information on procurement activity in 2020:

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CUAD BREAKDOWN OF TENDER PROCESSES			(Amounts excluding VAT, in € million)	
Department	No. of internal contracts	Amount of contracts	Total no. of tenders	Total amount tendered
Construction	82	45.12	240	397.71
Energy and Fibre Optics	2	2.75	39	419.98
High-Speed Projects and Stations	2	0.14	18	9.99
Other	0		2	0.08
<b>Total</b>	<b>86</b>	<b>48.01</b>	<b>299</b>	<b>827.76</b>

BREAKDOWN OF ADJUDICATIONS			(Amounts excluding VAT, in € million)	
Department	No. of internal contracts	Amount of contracts	Total no. of tenders	Total amount tendered
Construction	82	45.10	243	370.50
Energy and Fibre Optics	2	2.75	45	11.32
High-Speed Projects and Stations	2	0.14	19	11.79
Other	0		2	0.08
<b>Total</b>	<b>86</b>	<b>47.99</b>	<b>309</b>	<b>393.69</b>

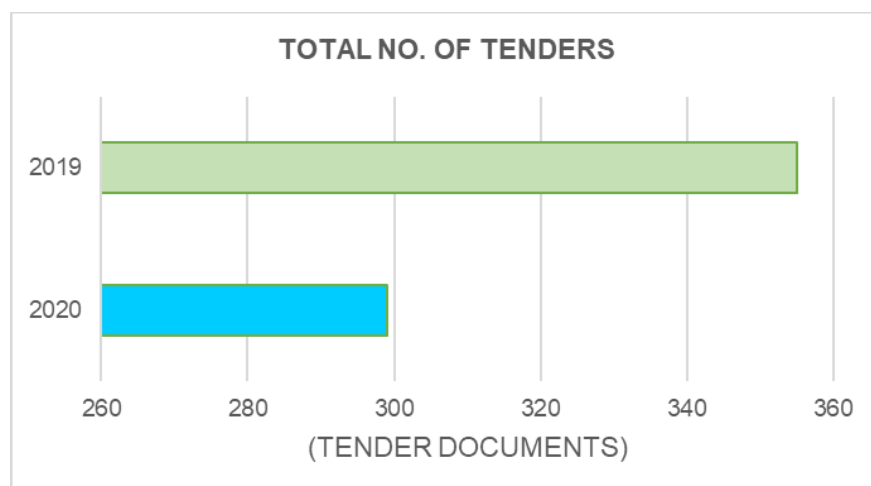
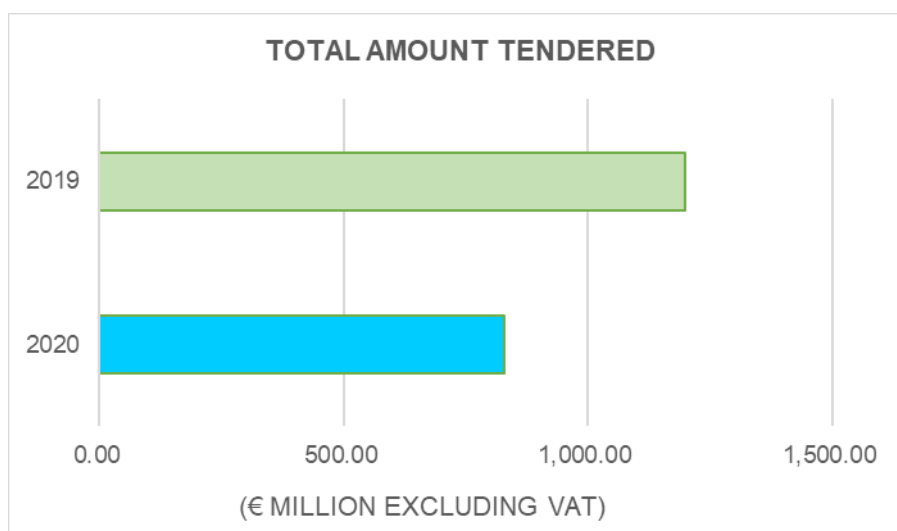
BREAKDOWN OF TENDERS BY PROCEDURE		(Amounts excluding VAT, in € million)	
Procedure / Criteria	No. of tenders	Amount	% of amount
<b>Open</b>	<b>110</b>	<b>250.68</b>	<b>30.3%</b>
• <i>Most advantageous tender (various criteria)</i>	69	225.08	27.2%
• <i>Price (one criterion)</i>	41	25.60	3.1%
<b>Restricted</b>	<b>1</b>	<b>3.80</b>	<b>0.5%</b>
• <i>Most advantageous tender (various criteria)</i>	1	3.80	0.5%
• <i>Price (one criterion)</i>			
<b>Negotiated</b>	<b>93</b>	<b>524.39</b>	<b>63.4%</b>
• <i>With prior publication</i>	2	406.86	49.2%
• <i>Without prior publication</i>	32	116.40	14.1%
- <i>Emergencies</i>	5	3.73	0.5%
- <i>Technology related</i>	23	111.79	13.5%
- <i>Other causes</i>	4	0.88	0.1%

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• Minor contracts	59	1.13	0.1%
Orders under framework agreement	9	0.87	0.1%
Total tendered	213	779.74	94.2%

Orders under framework agreement	86	48.02	5.8%
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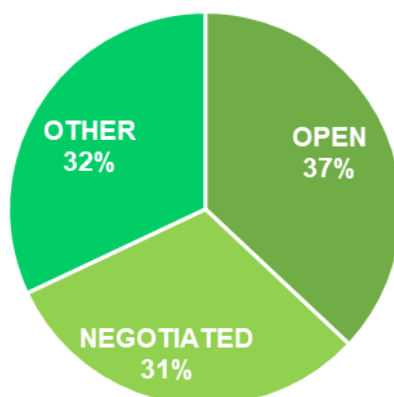
TOTAL	299	827.76	100.0%
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### TOTAL NO. OF TENDER DOCUMENTS



### TOTAL AMOUNT TENDERED (€ MILLION EXCLUDING VAT)

