

SUSTAINABILITY

REPORT

2018





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STATEMENT FROM ADIF'S CHAIRWOMAN

Our society faces major challenges which we must rise to. We are living a time of far-reaching and swift transformation on which Adif cannot turn a blind eye. We must interpret and tackle those changes, seizing them as an opportunity to do better and assume our role as a key player in the rail industry and managing the resulting risks in parallel.

The need to create a low-carbon and more efficient mobility model, safeguard our natural resources, foster socio-economic development that brings everyone with it, reinforce corporate governance framed by integrity and ethics, improve the health and safety of our citizens and remain financially solvent in the process are all challenges which the public and its organizations, naturally including its businesses, must embrace at the local and global levels, each from its own position and spheres of influence.

Specifically in our case, the rail sector in Spain is immersed in a process of change, which is pivoting around the deregulation of passenger transportation. At Adif we are embracing that process with the aim of ensuring that the market opens up on the best possible terms, so as to boost the efficiency and sustainability of the system in a competitive framework that benefits not only passengers but society as a whole. The deregulation of transport services will lead to growth in traffic, which will in turn enable improved supply; it will also facilitate the economic sustainability of Adif's

infrastructure, framed by a balanced and efficient model. This transformation process means we must make an effort to plan our investments and complete the railway structuring projects currently underway and frame our initiatives with technical, economic, environmental and social sustainability criteria.

In this report we provide an account of how we have already travelled along that path during the reporting period. As always, the safe operation and management of our infrastructure remains at the heart of our decision-making. To that end, in 2018 we designed and implemented measures aimed at reinforcing the safety culture across our organization; that effort included the creation of a new dedicated corporate safety department (the Corporate Safety, Processes and Systems Department).

From the social and environmental perspectives, I would like to highlight our commitment to making rail transport part of the solution and not the problem. That means committing to regional infrastructure development, social inclusion and diversity management and decisive articulation of our pledge of acting to help arrest climate change, while continuing to integrate the infrastructure we build and manage into the landscape to the highest of standards.

In sum, we are working day after day to remain a benchmark in our sector. We take our far-reaching responsibility as a state-owned enterprise seriously. That

responsibility dictates that we contribute positively to the balanced and sustainable development of the rail industry and society. Framed by that vision, we are already working to update our business plan. That process will give rise to the Adif 2030 Business Plan, which we trust will constitute a compelling response to our internal, sectoral, national and global challenges. Against that backdrop, I would like to stress how important the United Nations 2030 Agenda for Sustainable Development is for us, as is evident in the fact that we have aligned our strategy around that organization's Sustainable Development Goals (SDGs). Adif, through specific projects, indicators and targets, strives to contribute to delivery of the SDGs for the simple reason that so doing forms part of our responsibility to society. Moreover, that strategic orientation will help us improve as an organization over the short, medium and long term.



Isabel Pardo de Vera

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KEY METRICS

Adif at a glance

KEY METRICS ADIF AT A GLANCE



BUSINESS

844.32

million passengers

5,256

trains operating per day on average

11,991 Km

of railroad under mgt

16 Advice provided on 16 international projects



CORPORATE GOVERNANCE

12

Directors

15

Board meetings

41.7%

Female board representation

542

Ethics training sessions



EMPLOYEES

11,975

Employees

96.5%

indefinite contracts

+20

work-life balance measures



FINANCIAL

Face value of borrowings

€399.68M

Revenue

€1.85BN

Profit/(loss) for the year

-€74.2M

EBITDA

-€20,8M

2

WHO WE ARE

Who we are and what we do. Our role as a key player in the Spanish railway sector

WHO WE ARE



At Adif we are aware of the important role we play as the **Spanish rail sector's manager and catalyst**. Part of our duty is to search for effective ways of ensuring that the sector remains one of the country's main socio-economic engines, working tirelessly to **provide a safe, reliable and efficient rail service**, adapting continuously to emerging challenges.

As a state-owned enterprise which reports to Spain's Ministry of Transport and Public Works, Administrador de Infraestructuras Ferroviarias (which means Rail Infrastructure Manager, hereinafter, Adif) has a clear role to play as the industry catalyst. To that end, Adif conducts its activities with the ultimate goal of positioning rail as the population's main mode of transport. By doing so, it contributes to the country's socio-economic development, facilitating its citizens' geographic mobility by means of a sustainable, efficient and safe transport mode.

Adif's main duties are set down in its bylaws, in line with the guidelines stipulated in Spain's Rail Sector Act (Law 39/2003). For those less familiar with the sector, note that Adif is not entitled to provide either passenger or freight rail transport services.

Adif's main duty is to provide a safe, reliable and efficient rail network, with sustainability as a cornerstone.

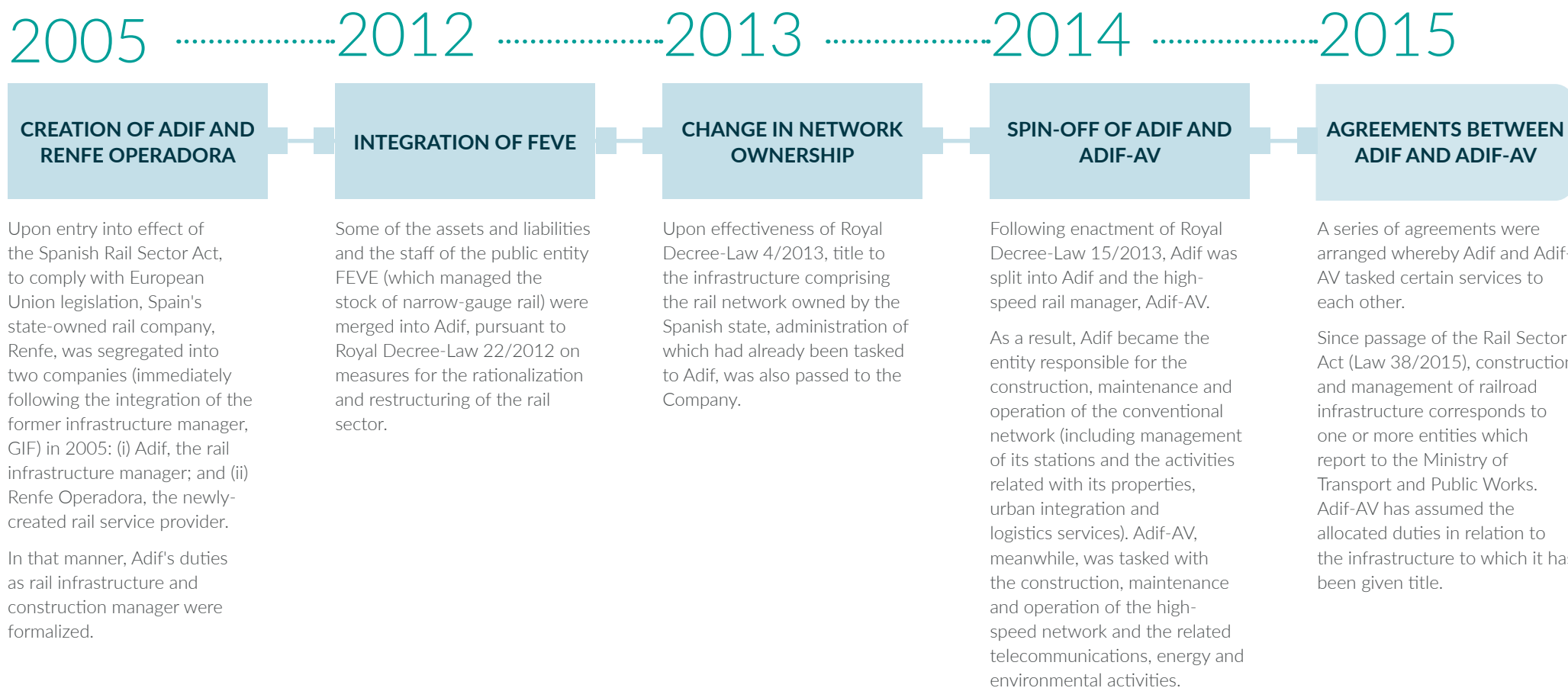
ADVANTAGES

With the aim of defending, and improving wherever possible, its current service safety and quality indices, Adif strives to optimize the management of Spain's rail infrastructure in order to make it more efficient and dynamic. By applying the continuous improvement philosophy to its business management, Adif provides society with a range of different advantages, notable among which:

- Approval of rail infrastructure blueprints and the construction thereof.
- Administration of the rail infrastructure under its ownership.
- Control and inspection of the rail infrastructure and the traffic it carries.
- Adjudication of rail capacity to the rail operators so requesting.
- The provision of additional and ancillary rail transport services.
- Proposals for the modification and update of the charges applied to the use of its rail infrastructure.

KEY MILESTONES AND DEVELOPMENTS IN ADIF'S LEGAL FORM OF INCORPORATION

Since its creation in 2005 as the state-owned enterprise tasked with the provision of the rail transport service, Adif has evolved considerably, marking a series of different milestones in the course of becoming the entity it is today.



2.1.

Mission, Vision and Values



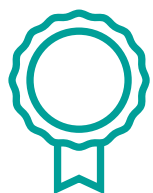
VISION

To align the entire organization around the development of sustainable infrastructure so that the generations of today and tomorrow can enjoy better lives.



MISSION

To design, build and manage rail infrastructure that contributes to citizens' wellbeing, generating value for our stakeholders across all our areas of activity.



VALUES

The attributes needed to successfully deliver Adif's Mission have been distilled into four:

- **Commitment**
- **Service**
- **Integrity**
- **Professionalism**



2018

Contribute to socioeconomic development in a sustainable way

Adif's corporate pledge is to help **"improve people's lives"** by articulating its business management around corporate responsibility and sustainable development.

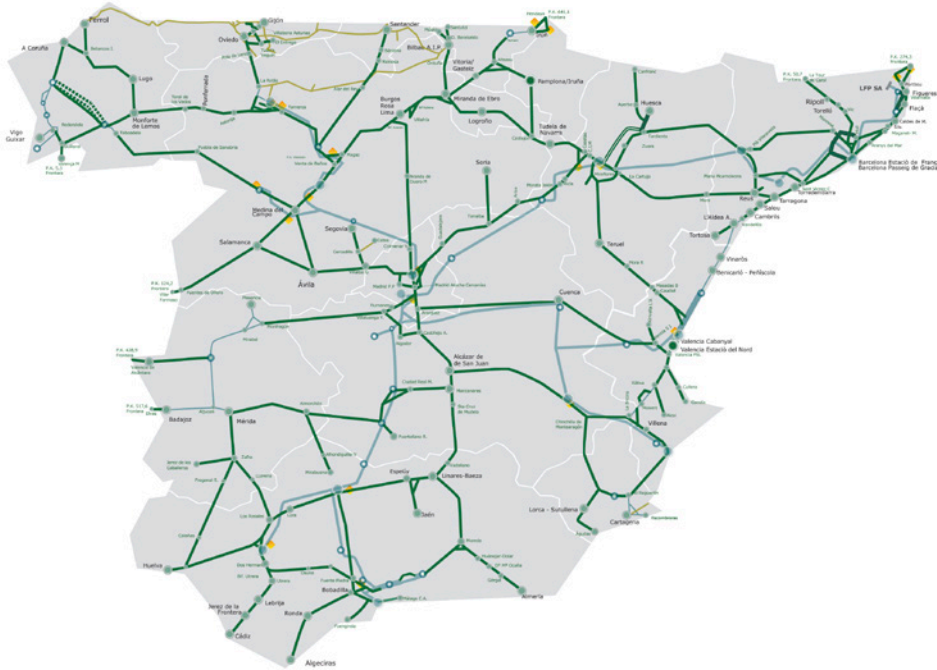
Adif is aware of the need to integrate economic growth, social cohesion and respect for the environment into its management of Spain's rail infrastructure, ascribing equal importance to each of those three dimensions. That is why in 2018 it decided to base its business strategy on the need to contribute to the country's socio-economic development in a sustainable manner.

Framed by this approach and having so defined its corporate pledge, in 2018, Adif approved a reformulated version of its Vision, Mission and Values: its new Vision embodies its aspirations for the future; its Mission tackles the actions Adif needs to take to fulfil its duty; and its Values serve as the guidelines its professionals need to pursue to ensure successful delivery of the Mission.

2.2. Business model

Adif is responsible for the construction, operation and maintenance of the conventional rail infrastructure network, which includes management of the stations, traffic and logistics centers.

Although Adif does do projects abroad, it essentially conducts its business in Spain.



Due to its role as public service provider, Adif's business model is based on its financial viability and earnings optimization on the one hand, and the management of its social and environmental impacts, on the other. In this respect, it ascribes noteworthy importance to its significance in society and safety responsibilities.

MAIN ACTIVITIES

OTHER BUSINESS ACTIVITIES



MAIN ACTIVITIES PERFORMED BY ADIF

CONSTRUCTION

Adif builds new infrastructure from scratch as well as modernizing and renovating existing rail assets.

Its construction activities are commissioned directly by the Ministry of Transport and Public Works or as a result of proposals submitted by Adif or other interested parties..

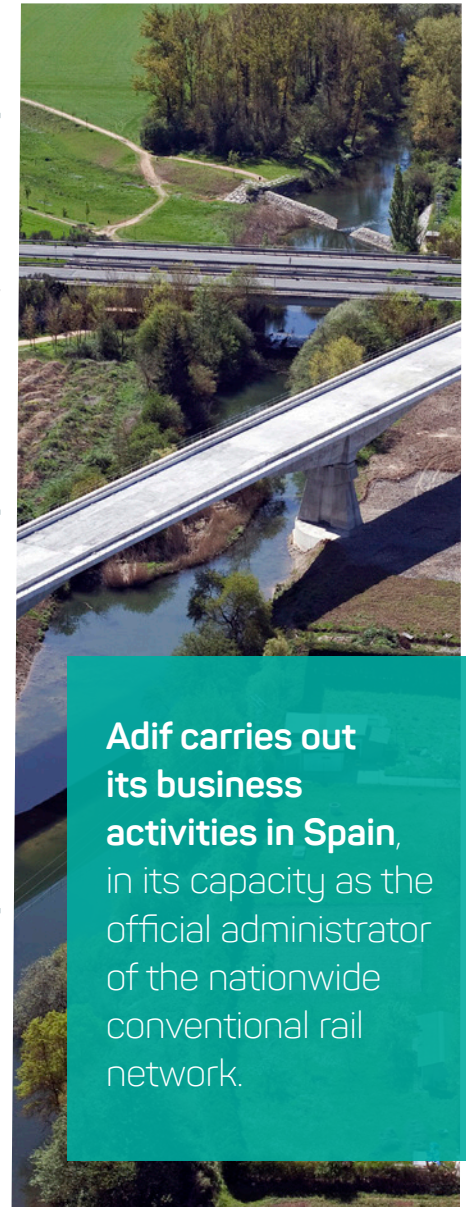
MAINTENANCE

In order to ensure that the rail network functions properly, Adif carries out conservation, repair, repositioning and technical upgrade work on it.

It performs three types of maintenance work: preventative; corrective and upgrades.

OPERATION

Adif is in charge of managing the operation of the rail infrastructure it owns and of any other railways it is commissioned to manage.



Adif carries out its business activities in Spain, in its capacity as the official administrator of the nationwide conventional rail network.



2.2. Business model

MAIN ACTIVITIES

OTHER BUSINESS ACTIVITIES



Adif is also active in the following complementary business areas:



LOGISTICS SERVICES

Adif Adif provides existing and prospective rail operators with a broad network of logistics facilities designed to facilitate modal interchange and freight transport by rail.

At those facilities it manages the resources and spaces available and ensures the provision of services that add value to the rail transport chain and the related logistics, framed by the criteria of transparency, impartiality and non-discrimination.

Adif manages its infrastructure using different models: direct management, self-service management and own-risk management. It also has collaboration agreements with 17 port authorities for the provision of train access and dispatching services to those ports and shunting inside the port facilities in collaboration with the ports' traffic safety officers. Eight of those agreements were rolled over in 2018.



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2.2. Business model

MAIN ACTIVITIES

OTHER BUSINESS ACTIVITIES



INTERNATIONAL BUSINESS ACTIVITY

In the international arena, Adif seeks to monetize its know-how and experience, providing technical assistance and performing contract work in foreign markets.

It also participates in a number of international initiatives such as the development of the trans-European network and the creation of international regulations addressing safety and interoperability matters, among others.



PROPERTY MANAGEMENT AND URBAN INTEGRATION

Adif and Adif-AV are tasked with managing and administering the properties under their ownership.

Aligned at all times with the policies set by the competent authorities, Adif and Adif-AV contribute to the sustainable development of the rail system and its integration in the cities it passes through (occasionally through so-called integration joint ventures).



JOINT VENTURES, SUBSIDIARIES AND INVESTEES

Adif oversees and monitors the financial performance of all of its subsidiaries and investees and the coordination, control and monitoring tasks associated with the work done on the city integration front (on occasion through joint ventures).



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2.3. Organizational structure

The chart below depicts Adif's organizational structure at year-end 2018:



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APPROACH

Our work: strategic approach
and value creation

STRATEGIC APPROACH



Adif articulates its business strategy around **sustainable development**, based on the firm conviction that everything it does has an impact on society.

As a result, it has emerged as a benchmark for its **corporate responsibility in the rail infrastructure segment**.



3.1.

Business Strategy

Having completed its 2013-2016 Company Plan, in 2017, Adif embarked on a new period of analysis and transformation, taking stock of the prevailing social, economic and sector trends and the nature of its impacts on society and the environment. That process gave way to a new strategy articulated around sustainable development.

With corporate social responsibility at its core, it defined its 2018-2020 Company Plan, which it dubbed the 2020 Transformation Plan (2020TP), laying out its strategy for the coming years. That plan is structured around three pillars which define the Company's strategic targets: **Safety, Service and Sustainability**, in turn aligned with the organization's Vision, Mission and Values.

The new Plan is based on prior analysis of the nature and meaning of the firm's activities, prioritizing the need to orient everything it does, i.e., the planning, construction and management of rail

infrastructure, so as to improve the lives of the people whom, as a public entity, it services. This premise of making people's lives better is also based on the notion that the only way of making the organization stronger is to foster economic progress, without neglecting the aspects that must be considered to ensure the wellbeing of society as a whole and respect for the environment.

As a result, in 2018 Adif adopted the triple bottom line approach in an attempt to respond to the social, economic and environmental challenges facing the rail sector in particular and Spain in general. As a result, the Company Plan is also the Corporate Responsibility Plan, and vice versa: Adif's business activities are articulated around corporate citizenship in order to contribute to an increasingly sustainable economic model for Spain.



The cornerstones articulating Adif's strategy (safety, service and sustainability) are boosted by three identified transformation drivers: **the people comprising the organization; digital transformation; and innovation**. Based on this core architecture, the Company has established **15 strategic targets**, which have in turn been allocated by area of business activity.

Strategic targets



STRATEGIC TARGETS

DIMENSION

	Operations	Economic	Social	Governance	Environmental
1. Rail traffic safety					
2. Cybersecurity					
3. Protection and safety					
4. Workplace health and safety					
5. Transport system					
6. Customer experience					
7. Infrastructure supply					
8. Shared value creation					
9. Business sustainability					
10. Environment and climate					
11. Social cohesion					
12. Governance and management					
13. People					
14. Digital transformation					
15. Innovation					

2020TP / 15 STRATEGIC TARGETS (2018 - 2020)



2020TP

The Company Plan was rolled out across the entire organization in 2018 and the associated key performance indicators were tracked and analyzed monthly, taking stock of any deviations. Thanks to that effort, in 2019, the Company has begun to fine-tune its indicators for the new demands emanating from its requirements under the Activity Program and Agreements with the Spanish state, under the umbrella of its continuous process improvement model. Below is a summary of how the 2020TP is shaping the organizational structure:



2020TP / 15 STRATEGIC TARGETS (2018 - 2020)



The 15 strategic targets set down in the 2020TP are outlined below, classified in accordance with the above-mentioned pillars and drivers.

3 PILLARS



SAFETY

- 1 Rail traffic safety**
Guaranteeing safe rail traffic management, fostering a culture of prevention, continuous improvement and being proactive.
- 2 Cybersecurity**
Protecting Adif's IT systems against intrusions and attacks and minimizing the impact on activities of any that do materialize.
- 3 Protection and safety**
Guaranteeing citizen safety, business continuity and safeguarding assets against security threats and in emergency situations.
- 4 Workplace health and safety**
Safeguarding Adif's position as a benchmark in the sector for its low accident rates, framed by a tireless commitment to prevention.



SERVICE

- 5 Transport system**
Fostering growth in rail's share of transport and its integration with other modes.
- 6 Customer experience**
Creating an optimal experience for rail network users, during travel as well when using Adif's logistics facilities and centers.
- 7 Infrastructure supply**
Offering society a high-quality rail network that meets their transport needs.
- 8 Shared value creation**
Monetizing Adif's assets and capabilities in collaboration with other companies, public institutions and third-sector organizations.



SUSTAINABILITY

- 9 Business sustainability**
Obtaining balanced profitability and raising the necessary financing in an efficient manner.
- 10 Environment and climate**
Contributing to the development of an environmentally-friendly mode of transport that makes responsible use of scarce resources.
- 11 Social cohesion**
Providing an accessible public service and helping to make a difference in local communities, generating wellbeing and facilitating the integration of groups at risk of exclusion.
- 12 Governance and management**
Shoring up Adif's reputation as a well-managed and governed state-owned enterprise, framed by strong ethics and transparency principles.



2020TP / 15 STRATEGIC TARGETS (2018 - 2020)

The 15 strategic targets set down in the 2020TP are outlined below, classified in accordance with the above-mentioned pillars and drivers.

3 TRANSFORMATION DRIVERS

13

People

Fostering the development of a coordinated and flexible organization with a corporate culture capable of attracting talent and nurturing leadership at the various levels and in the various areas of Adif.

14

Digital transformation

Implementing smart management of Adif's processes and reinforcing online interaction with customers.

15

Innovation

Orienting innovation towards an open and participative model in order to respond to the challenges facing the rail sector.



STRATEGIC KEY PERFORMANCE INDICATORS



The table below shows the annual trend in the strategic key performance indicators analyzed by Adif to track delivery of its objectives for 2016-2018:



OPERATIONAL DIMENSION

PILLAR / DRIVER	KPI CODE	NAME	UNIT	2016	2017	2018
SAFETY	KPI1.1	Significant accidents caused by the infrastructure manager	No. per million train-km	-	0.063	0.078
	KPI1.4	Persons killed or severely injured in accidents	No. per million train-km	0.61	0.32	0.24
	KPI3.1	Crimes with an impact on activities	No.	2,624.00	1,039.00	911.00
	KPI3.5	Emergency situations covered by the Auto-protection Plan**	%	100	100	100
	KPI4.1	Accident rate	Lost-time injuries/1,000 employees	19.72	19.69	17.06

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



SERVICE

KPI5.2	Passengers	Million passengers	790.18	808.32	844.32
KPI5.3	Logistics facilities	No. of trains and ITUs handled	575,608	602,416	666,859
KPI5.5	Rail-port connections	No. of trains and ITUs handled	27,044	28,000	s/d
KPI6.1	Perceived service quality - stations**	Points out of 10	7.61	7.61	N/A
KPI6.2	Perceived service quality - freight transport	Points out of 10	5.60	7.30	N/A
KPI7.1	Network renewal and upgrade	Km	238.00	245.00	331.32
KPI7.2	Passengers benefitting from station modernization	Million passengers	N/A	9.10	49.20
KPI7.3	Investment execution	€ m	270.00	336.54	391.30

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



TRANSFORMATION DRIVERS

KPI13.2	Age pyramid	% employees < 51 years	22.80	20.03	20.05
KPI15.1	Investment in innovation	€ million	0.49	1.20	0.43
KPI15.2	R&D	No. of patents registered	N/A	5.00	6.00
KPI15.3	Innovation efficiency	Results transferred, %	39.00	40.00	50.00
KPI15.5	Collaboration and open innovation**	% of projects carried out	N/A	N/A	23%

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





ECONOMIC DIMENSION

PILLAR / DRIVER	KPI CODE	NAME	UNIT	2016	2017	2018
SUSTAINABILITY	KPI9.1	EBITDA*	€ million	-61.67	91.03	-20.75
	KPI9.2	EBIT	€ million	-72.12	52.55	-71.75
	KPI9.3	Expense-to-charges coverage ratio (including D&A)	%	51.03	58.36	49.45
	KPI9.4	Expense-to-charges coverage ratio (excluding D&A)	%	52.68	61.88	51.86
	KPI9.5	Borrowings	€ million	485.5	438.73	399.68
	KPI9.6	Use of Community funds	(income-dev)/ Size of annual state budget	N/A	0.37	0.81

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





ENVIRONMENTAL DIMENSION

PILLAR / DRIVER	KPI CODE	NAME	UNIT	2016	2017	2018
SUSTAINABILITY	KPIE10.1	Emissions reduction	MT of CO _{2eq}	5,289.00	6,441.00	6,248.00
	KPIE10.2	Purchases framed by environmental criteria**	%	N/A	N/A	100.00
	KPIE10.3	Hazardous waste handled	MT/million train-km	0.78	1.08	0.52
	KPIE10.4	Environmental incidents**	No. of penalties	-	-	-
	KPIE10.6	Energy efficiency	GWh eq. saved	27.53	27.45	27.69

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





SOCIAL DIMENSION

PILLAR / DRIVER	KPI CODE	NAME	UNIT	2016	2017	2018
SUSTAINABILITY	KPI11.1	Accessibility**	% of passengers	80.08	81.21	83.70
	KPI11.2	Education, culture and values**	Million people impacted	3.12	1.81	2.00
	KPI11.3	Philanthropic initiatives**	€ million	288.00	299.93	379.12
	KPI11.5	Greenways	Km	1,359.40	1,488.00	1,554.00
	KPI11.6	Leases framed by social criteria	No. of properties	26.00	19.00	22.00
	KPI11.7	Purchases framed by social criteria**	%	N/A	N/A	100.00

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





GOVERNANCE DIMENSION

PILLAR / DRIVER	KPI CODE	NAME	UNIT	2016	2017	2018
SUSTAINABILITY	KPI12.1	Business ethics code**	No. of notifications via whistle-blowing channel	57	73	57
	KPI12.2	Transparency**	% of complaints upheld	14	10	7,56

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



In parallel to formulating its strategy, the Company has gone to lengths to make project execution more nimble and revitalize investments in rail infrastructure, championing multiple agreements with different stakeholders, such as city councils, regional governments and a number of business organizations.

It is worth highlighting that management has reviewed and updated the TP2020 in 2019 with the aim of extending its time horizon to 2030 in order to layer in and address emerging challenges. The foreseeable outcome of that review will be the 2020-2030 Business Plan.

MATERIALITY ASSESSMENT 2018

Adif is aware of the need to listen to its various stakeholders in order to forge a management approach that is underpinned by its duty to society. The Company defines its stakeholders as any segment of society that could be affected by the organization's activities and/or could influence its activities.

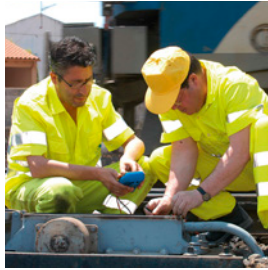
Adif's stakeholders accordingly include the rail operators, rail passengers, citizens, public authorities, employees, governments of other countries, suppliers, business partners and allies and the third sector (NGOs, charitable associations, etc.).

In 2019, the Company updated the materiality assessment conducted in 2017, identifying firstly a universe of key issues on the basis of in-depth analysis of a number of sources of information, some of which specific to the public and rail sectors in Spain and internationally. It also factored in the latest trends and the requirements introduced by Spanish Law 11/2018 on non-financial and diversity reporting.

In total, Adif identified 29 material topics, one more than in 2017, having eliminated two and added three new ones for this edition. In addition, the names of seven of the material topics have been changed or their descriptions updated in order to better respond to prevailing non-financial reporting practices and requirements.



MATERIAL TOPICS IDENTIFIED IN 2018



1 OPERATIONS AND MANAGEMENT

Management of rail infrastructure (construction, maintenance and operation)

International expansion*

Service standards and customer satisfaction

Technical development, innovation and digital transformation

All-round safety (protection and safety; rail traffic safety and cybersecurity)

Supplier relations and supply chain management*



2 CORPORATE GOVERNANCE AND TRANSPARENCY

Company governance and strategy

Compliance*

Risk management

Transparency

Ethics and the prevention of corruption*



3 ECONOMIC DIMENSION

Financial sustainability

Management of public funds

Investments

Economic relationship with the Spanish government and European authorities

Social and economic impacts on communities**

(*) Matters whose name has changed or which reflect a new approach compared to 2017

(**) New matters compared to 2017

MATERIAL TOPICS IDENTIFIED IN 2018



4 ENVIRONMENTAL DIMENSION

Environmental management systems
Environmental integration of works
Effort to combat climate change and boost energy efficiency
Contribution to the preservation of biodiversity
Protection against noise pollution*
Diverse environmental impacts (soil contamination, discharges, fire prevention, waste management)



5 SOCIAL DIMENSION

Stakeholder engagement and dialogue
Accessibility of stations and buildings (people with disabilities and reduced mobility)
Training, professional development and employee engagement*
Diversity and human rights protection
Workplace health and safety
Talent attraction and job quality**
Gender equality**

(*) Matters whose name has changed or which reflect a new approach compared to 2017

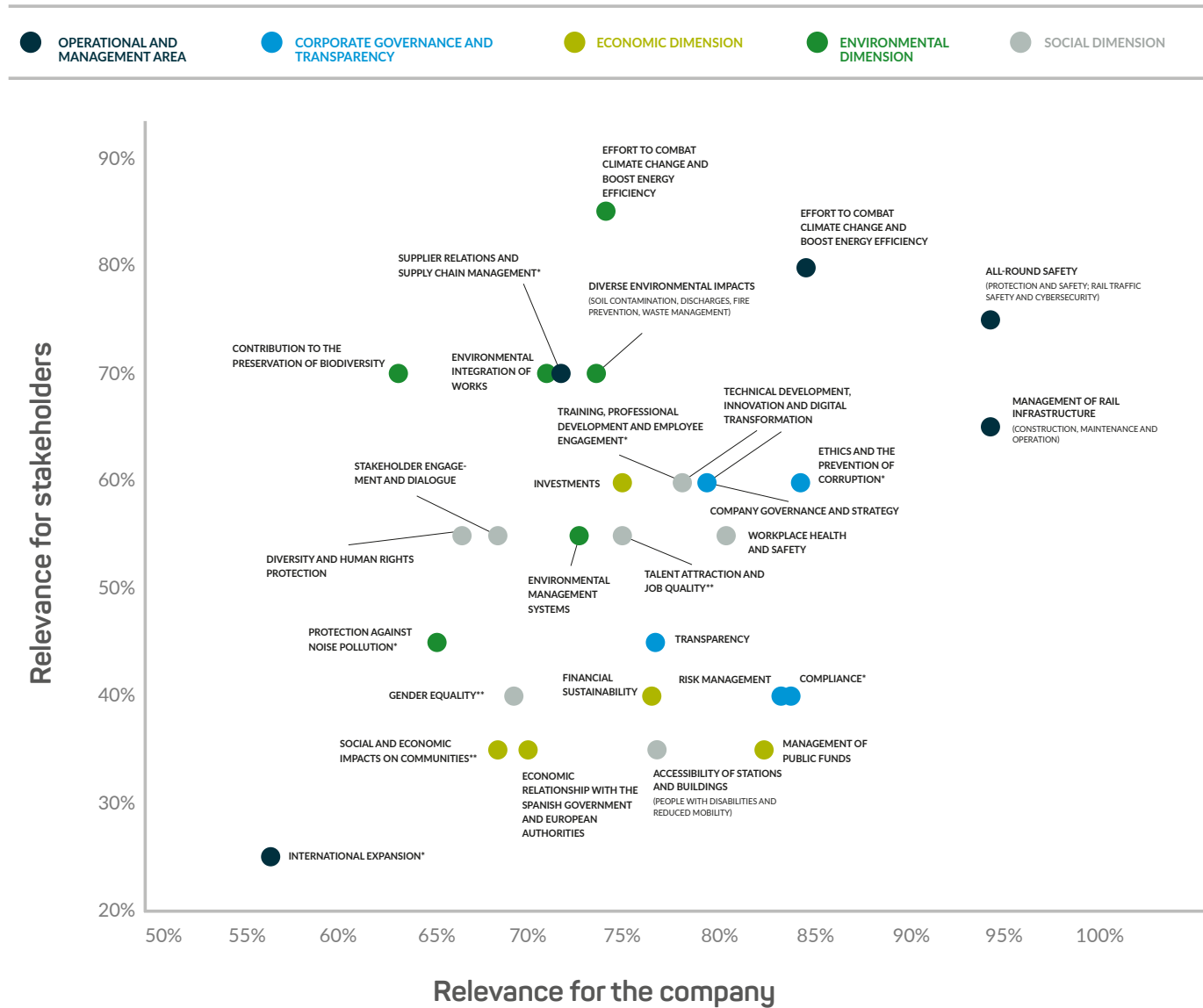
(**) New matters compared to 2017

MATERIAL TOPICS IDENTIFIED IN 2018



The above matters were then assessed as a function of their importance to the Company itself and to its stakeholders, factoring in their impact on Adif's strategy, business targets, reputation and brand image, as well as their propensity to generate risks and opportunities. To that end Adif carried out an internal consultation in which 106 executives and area managers participated. It also considered different reporting standards, analyzed the sustainability and CSR reports of other rail companies in several countries and took note of the issues covered mostly closely in the press throughout the year.

The result of this **interplay of the matters' internal and external significance** is depicted graphically in the following **materiality matrix**



MATERIAL TOPICS IDENTIFIED IN 2018

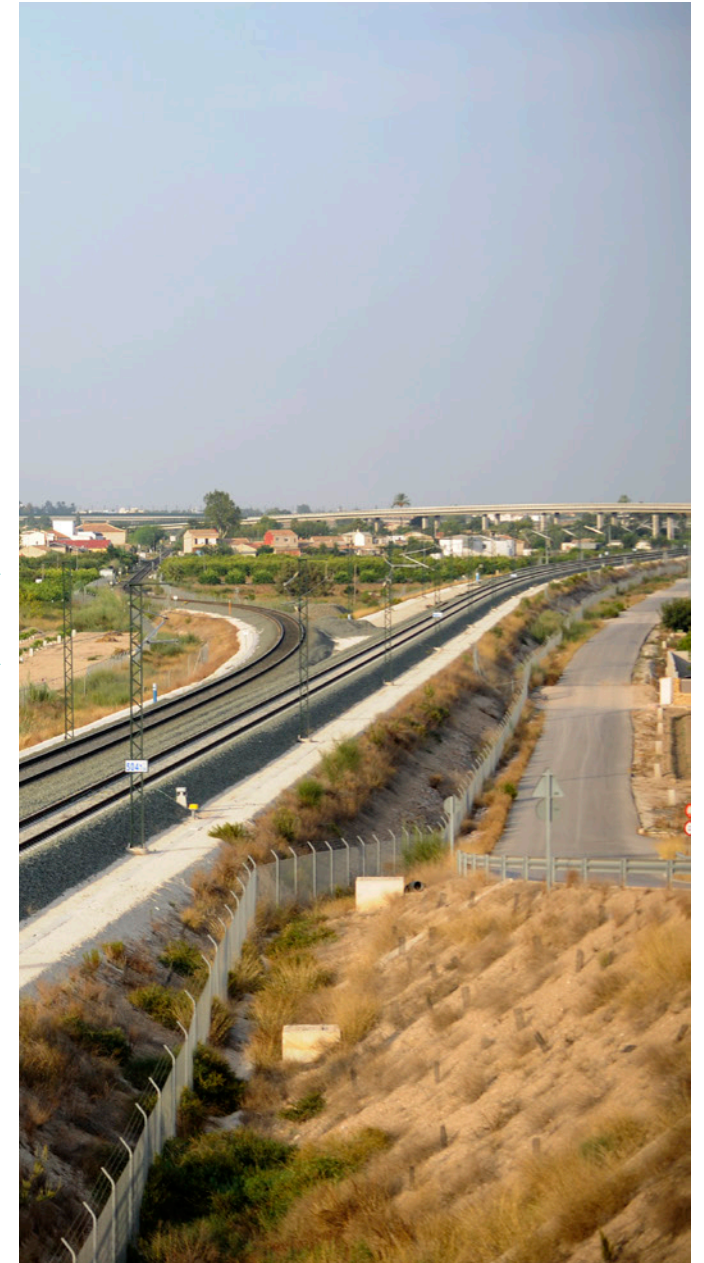


As in prior years, the end-to-end safety of the rail network, the quality of the service we provide and the management of our rail infrastructure feature high on the list of the most important topics, reflecting the fact that they are the core aspects around which the Company's business is articulated.

However, in comparison with prior years, we observed an increase in the importance of the environmental impacts of our activities as well as the corporate strategy and workplace health and safety aspects. The financial topics, meanwhile, declined in importance relative to prior years.

That trend is logical considering the far-reaching changes unfolding at the social level and the growing relevance of environmental considerations.

The United Nations 2030 Agenda and the Sustainable Development Goals emanating from it are good evidence of this trend; they are helping to drive ever more intense social awareness of the environmental threats to our natural surroundings.



3.2.

Business environment



The rail transport business is dynamic. It is currently being shaped by major changes that are opening up new opportunities and challenges for which the Company is already preparing itself. Those changes are expected to remain a force in the years to come.

Technology development and digitalization, strong internal demand for an ever safer and higher quality service, interoperability and deregulation of the European passenger rail transport market, as well as the global challenges affecting our business, are some of the key forces shaping a rapidly shifting environment for which we need to be ready.

Challenges & Opportunities

.....Network maintenance and renewal

.....Deregulation of passenger transport

Advent of new operators

Plan for transitioning to the 4th Railway Package

.....Implementation of the United Nations 2030 Agenda

.....Workforce transformation

.....ADIF AROUND THE WORLD

Featured projects

The Haramain Project

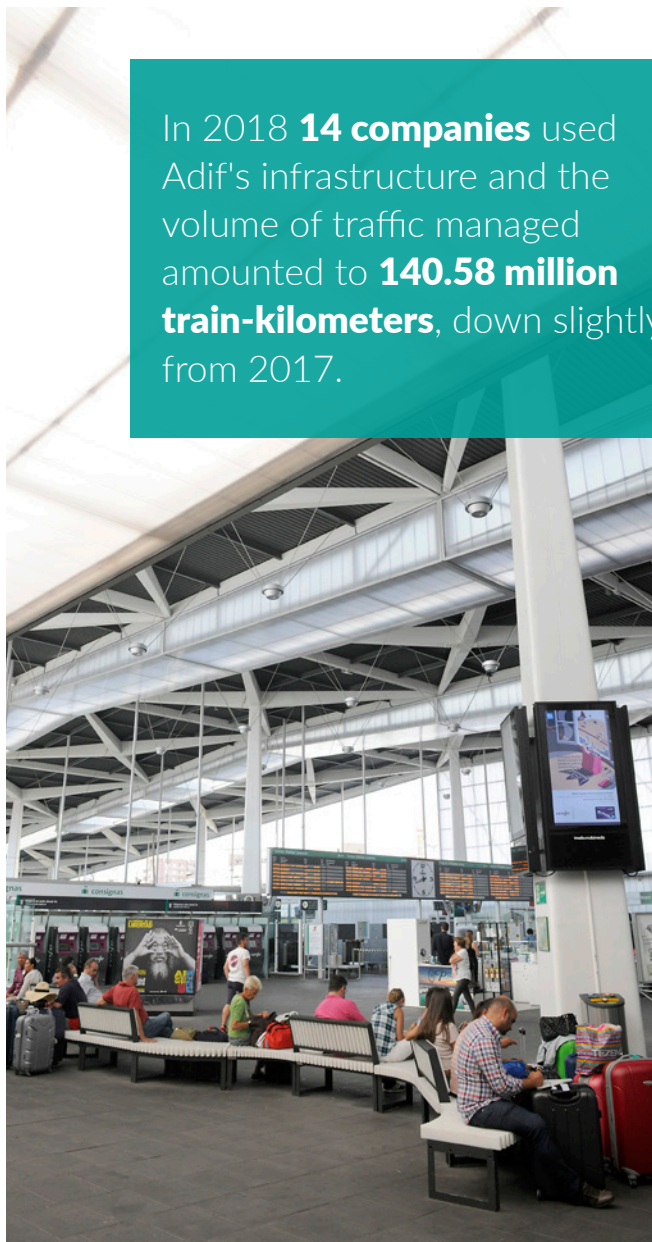


Society wants to see upgraded railways and Adif has embraced its responsibility to continuously improve the reliability and safety of its rail infrastructure.

To that end it makes a sustained effort to earmark resources to maintaining its infrastructure and all of its facilities, while continuing to carry out specific targeted projects such as track renewal, safety signal automation, the elimination of level crossings, the improvement of platform crossings, etc.

In addition, on account of its significance in terms of the millions of passengers who use it, Adif keenly aware of the need to upgrade the infrastructure on which the commuter trains run, particularly in Madrid and Barcelona, albeit also in cities with lower traffic volumes.

In 2018 **14 companies** used Adif's infrastructure and the volume of traffic managed amounted to **140.58 million train-kilometers**, down slightly from 2017.



The deregulation of passenger transport in 2020 may increase traffic on the rail network in general, including growth on the high-speed lines of an estimated 30% to 50%; that will require ensuring service quality and punctuality across all rail infrastructure. To achieve this, it is vital to adapt to some of the trends that will come hand in hand with deregulation.

ADVENT OF NEW OPERATORS

A series of processes are being executed to facilitate the entry of newcomers into the market. Both Adif and Adif-AV are working on a study to analyze the reorganization of existing traffic with the aim of introducing the new rail operators' services.

The idea is to make available network capacity more visible, while facilitating legal stability for the players by entering into framework agreements that guarantee the ability to reserve capacity for a period of five years.

In parallel, the Company plans to consolidate a charge regime based on network usage, providing the operators with further stability and certainty. Adif has included in its Network Statement for 2019 a description of the model used to calculate direct incurred costs, marking another step towards compliance with the European regime.

PLAN FOR TRANSITIONING TO THE 4TH RAILWAY PACKAGE

Adif and Adif-AV are working on a plan for adapting to the 4th Railway Package, the regulatory ground rules underpinning the deregulation process. That plan encompasses all of the services provided to rail customers. More specifically, both entities are preparing their stations for the advent of new operators framed by four management criteria: non-discriminatory treatment; transparency; flexibility; and sustainability.

The aim of that plan is to provide the new operators with information about the services on offer, the capacity application and adjudication procedures and the charge regime, which will be published in its Network Statement. Furthermore, Adif has taken the initiative of launching a search for sites it owns that lend themselves to provision to the new operators for the purpose of building their facilities.

Since the United Nations launched its 2030 Agenda and the associated Sustainable Development Goals (SDGs) at the end of 2015, governments, public and private entities and society in general have made considerable strides towards their delivery by 2030. Spain's national action plan for implementing the 2030 Agenda contemplates the rollout of public policies to enable major transformation, oversight, accountability and assessment.

According to the latest data available, most public entities believe that the lack of internal awareness of the importance of the 17 SDGs poses a significant challenge to integrating them into their corporate strategies. As a result, cross-cutting training and skills identification are key tools.

Contributing to delivery of the SDGs constitutes an opportunity for companies to perform better and enhance their impacts on society, inevitably translating into a positive impact on their credibility and reputations. Similarly, as a target they can pave the way for enhanced internal process management and create new business opportunities.

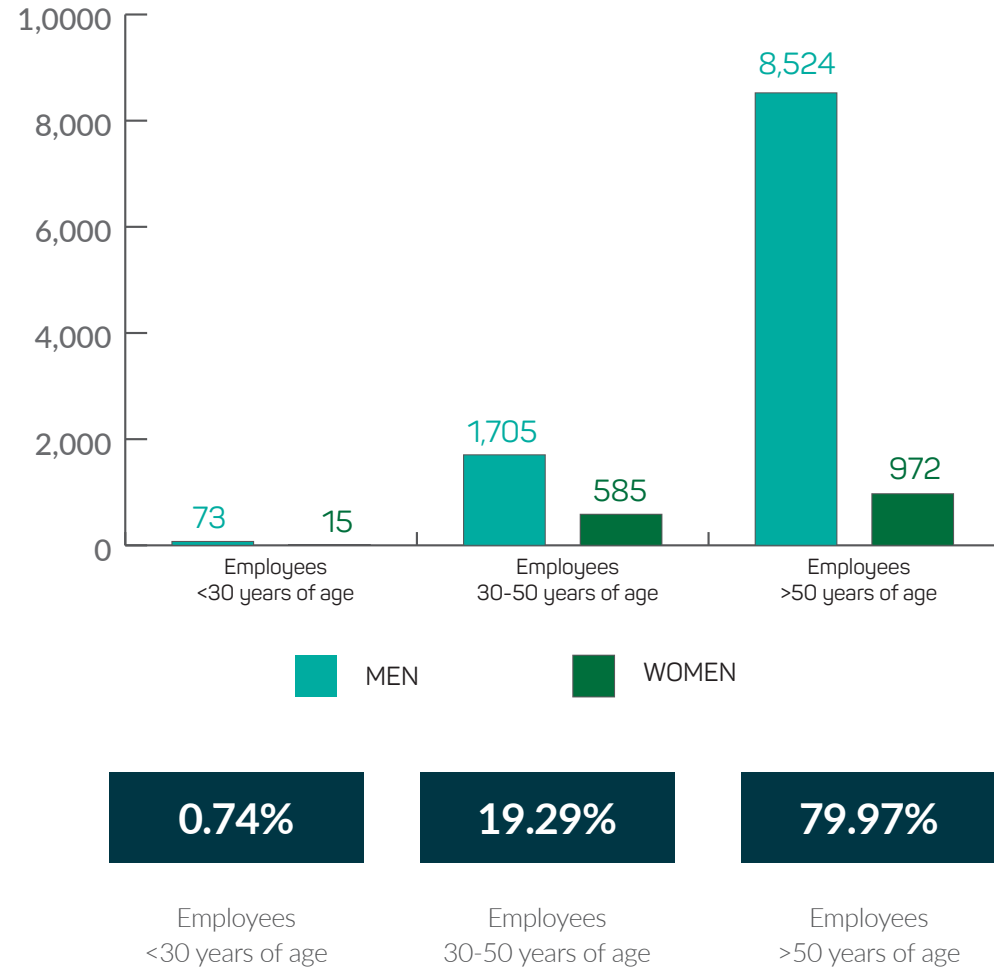
In general terms, based on the latest reports published, Spain is moving in tandem with the progress being made by the European Union towards delivery of the 2030 Agenda. According to the 2018 edition of the SDG Index and Dashboard Report, Spain ranks within the first quartile of companies around the world that are closest to delivery, specifically ranking 25 out of 156.





In terms of the Company's in-house challenges, the most important relates to the age structure of its workforce. The majority of Adif's employees are over the age of 50 (79.97% of the total) and the average employee age is 53.77⁽¹⁾. As a result, Adif faces the significant challenge, today and in the year to come, of rejuvenating its workforce and cascading downwards the know-how built up in key positions. To that end, it has rolled out a series of initiatives such as a partial retirement and a voluntary redundancy scheme, while calling several public employment tenders, all of which with the goal of accelerating **generational renewal** without losing valuable know-how and experience, which are vital for the Company's healthy performance and effective management.

BREAKDOWN OF HEADCOUNT BY AGE

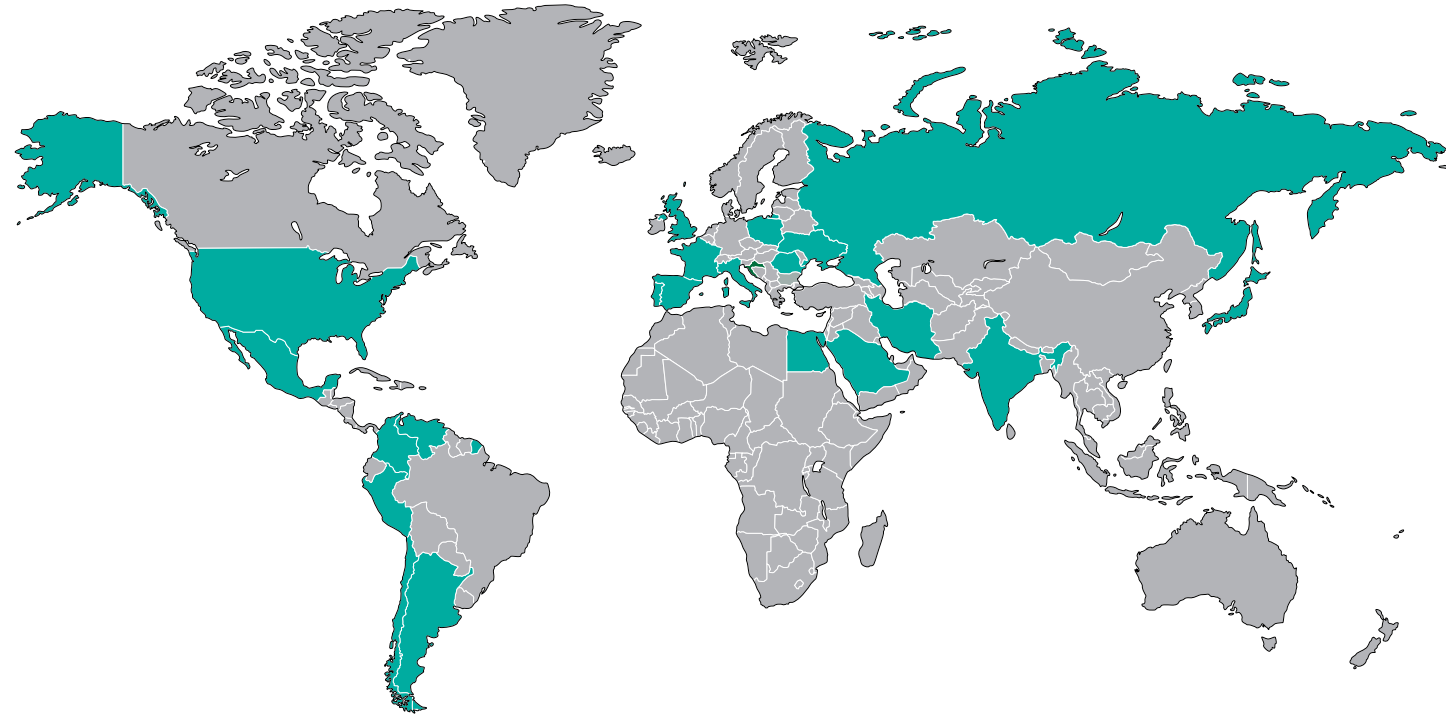


⁽¹⁾ For more information about the breakdown of the headcount by age and years of service, refer to section 5.6. The team (Employees)

2018 marked a year of milestones in the high-speed arena, with Adif consolidating its presence in the international market via its participation in projects that could lead to significant business opportunities, notable among which high-speed rail viability studies in **India and Egypt** and technical assistance projects in **Sweden and Israel**.

Adif has also cemented and strengthened its position in **Europe** through its contributions to international organizations and initiatives, participating in foreign missions and hosting delegations from other countries. As for the missions, it is worth highlighting those made to countries deemed strategic for its international business, given their sizeable rail infrastructure investment programs, such as **Great Britain** (the HS2 Project, the new London-Birmingham-Leeds/Manchester high-speed line), **Sweden, Denmark, Peru, the US, Mexico, India, Australia, Malaysia, Morocco, Egypt, Israel, Japan, Korea**, etc. In addition, Adif collaborates on an ongoing basis with **Amtrak**, the passenger rail operator in the **US**, through the North East Corridor Forum, in which Adif has occupied the vice-presidency.

In parallel, Adif continued to participate in the Twinning Project, financed by the European Union, with the aim of supporting the Egyptian Ministry of Transport and the country's national rail company (Egyptian National Railways, or ENR) with implementation of its safety management system. Another 10 European rail infrastructure managers participated in the Twinning Project.



● ADIF'S GLOBAL FOOTPRINT



Lastly, in 2018, Adif continued to work on new business opportunities in **Asia and the Middle East** initiated in 2017, specifically including opportunities in Malaysia, Morocco, India and Saudi Arabia. In the latter market, it is worth highlighting Adif's role in the **Haramain Project**, described in further detail below.



THE HARAMAIN PROJECT

In the international arena, the most important milestone of 2018 was the commissioning of the high-speed line between the Meca and Medina, known as the Haramain Project.

That EPC project consists of the design, construction and commissioning of the infrastructure, systems and rolling stock and the operation and maintenance of the railway for the high-speed rail line commissioned by Saudi Arabia to connect the Meca and the city of Medina. .

Key project characteristics

- Financed from Saudi Arabian public funds
- Length of the line: 449km
- Five stations: Meca, Jeddah, KAIA, KAEC and Medina
- Passenger traffic only



In 2018, Adif continued to coordinate the line construction work and elaborate various procedures, management systems and operational rules for the future operation of the line.

Also in 2018, Adif provided technical advice on 16 international projects and struck collaboration agreements with the UK, India, Israel and the US. Some of the most noteworthy international projects include the HSRC and NCRTC projects in India and the work for Amtrak (US), in addition to the Meca-Medina high-speed line.

Adif is represented on the sector's most important organizations: European Rail Infrastructure Managers (EIM), International Union of Railways (UIC), where it is represented via a number of prominent experts, European Agency for Railways (ERA), EEIGs, TEN-T, RailNetEurope (RNE), with 34 European rail infrastructure managers and 10 associate members, PRIME (Platform of Rail Infrastructure Managers), backed by the European Commission, and S2R, the joint European research platform.

It has also entered into collaboration agreements in support of Spanish sector companies, e.g., with public and private, national and international infrastructure managers and operators such as MSTI-HŽ Infrastruktura (Croatia); CU Corporate University RZD (Russia); Renfe, on the Dallas-Houston high-speed project (US); and China Railway Corporation (CRC).

3.3.

Sustainable Development Goals and 2030 Agenda

Aware that Adif provides an important public service and conscious of the impacts its activities have on the environment and society, the Company has newly articulated its strategy around the concept of sustainable development, striving to integrate it into all of its lines of business.

In 2017, it created the so-called **GoSDG Project**, which aims to rigorously embed the Sustainable Development Goals and the related targets into Adif's business strategy. The ultimate goal of GoSDG is to reinforce and expand the corporate responsibility principle underpinning the Company's business plan, encompassing business and managerial responsibility, as well as the need to respond to the major challenges facing society.

This project is a cornerstone of the Company's strategy and has been instrumental in enabling it to formulate a strategy that serves as an effective tool that encompasses all business and management decisions, all projects and activities, shifting towards a new strategic orientation shaped by responsibility and focused on sustainability.

The idea underpinning GoSDG is to forge a significant role for Adif in delivering the 2030 Agenda: the ambition is that by focusing on the SDGs, in ten years' time sustainable change, change in which the entire organization has been engaged, will have taken place. The project consists of three phases which have in turn been divided into several lines of initiative:



PHASES

GOSDG PROJECT

Phase 1

2017-2018

Defining and modeling GoSDG

Adif conducted an in-depth analysis of the SDGs and the related targets and mapped all areas of the Company in order to identify the current or potential impacts of the 17 SDGs and their 169 targets. That enabled an initial selection of the SDGs of greatest relevance to Adif in light of its activity and impacts.

Phase 2

2019-2020

Implementation and education

During this phase, initiated in 2018, the idea is to consolidate and implement the model, create familiarity with it internally and externally and pave the way for the change in model and orientation during the next phase (2020-2023). That will be achieved by means of universe of internal key performance indicators (KPIs) and high-profile communication of the SDGs.

Phase 3

2020-2030

The final phase is approached as a single ongoing cycle in which to achieve the organization's targets with respect to its contribution to the SDGs and the 2030 Agenda. Concrete planning and commitments will be established following full execution of the 2020TP, once the corresponding outcomes have been evaluated.

Other European and Spanish institutions are already mobilizing in order to contribute to delivery of the SDGs by championing a range of different initiatives. With GoSDG, Adif wants to go a step further and, leveraging its role as the manager of Spain's rail infrastructure, serve as a channel and catalyst for fostering a more inclusive and more regionally balanced economy. It is clear that over a long-term horizon, making a positive contribution to sustainable development is of benefit to all: a more stable, cohesive, prosperous and healthy environment is also conducive to business development.

CORE SDGs IDENTIFIED BY ADIF

Thanks to GoSDGs, Adif has identified three SDGs deemed strategic for the Company:



Adif'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 modernization 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 helps combat climate change through its very business activity, encouraging the use of a clean mode of transport.

PRIORITY SDG TWO TIERS

SDG 9,13 and 11

Direct relationship with Adif's activity and its capacity to contribute.

SDG 9 and 13

Room for improvement in Spain.



For more information about Adif's contributions to delivery of the SDGs, refer to section 8. **Our contribution to the SDGs.**

3.4.

Innovation and digital transformation



Since it was created, Adif has been strongly committed to research and development 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.

TOWARDS AN OPEN INNOVATION MODEL

In innovation, Adif 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 and Public Works, and customers, including rail service providers and end users. Adif's innovation effort is tangible in the number of projects it is working on, the volume of investments channeled 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 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:

- Development of and innovation in rail technology of interest to Adif and Adif-AV via project execution, mainly in collaboration with other companies, research centers and universities.
- Transfer of the results of that effort to both entities.
- Protection of the results.
- Management of the intellectual and industrial property of Adif and Adif-AV.
- Reinforcement of international business expansion via participation in taskforces and associations, such as the Rail System Forum and the UIC's Research and Innovation Coordination Group.
- Participation in calls for tender under the umbrella of the Horizon 2020 program.
- Technological intelligence, by constantly monitoring the environment and through specific on-demand innovation initiatives.
- Internal entrepreneurialism, tapping the creativity and talent of Adif and Adif-AV.

INNOVATION GOALS

The goals pursued by Adif and Adif-AV in terms of their innovation effort are articulated around the **three pillars of its strategy**, so that it covers a broad spectrum of technology.



SAFETY

Reducing operating risks (track breakage, track crossings, new train blocking technology, mixed traffic on high-speed lines, smart predictive maintenance), increasing infrastructure resistance (external phenomena) and reducing the risk of external assaults (threatening operations).



SERVICE

Boosting capacity on the rail network (binomial track efficiency/electrification), digitalization (automatic infrastructure inspection), boosting freight transport (variable gauge, operational improvements), improving the passenger experience (stations) and open innovation (co-creation spaces).



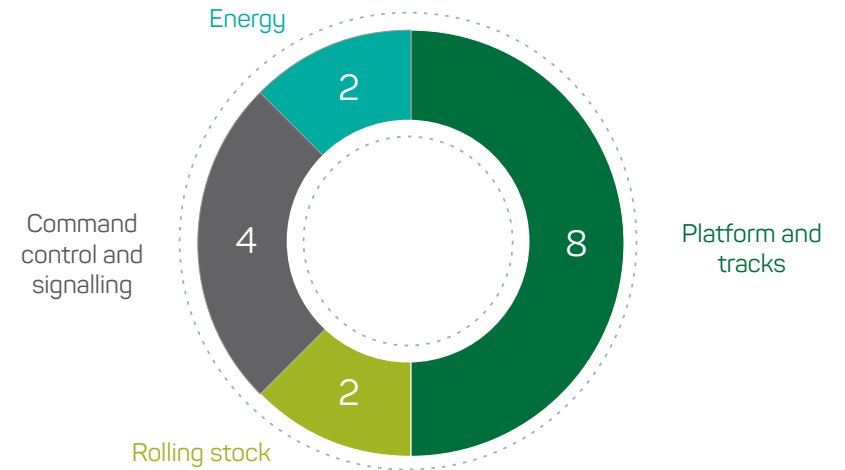
SUSTAINABILITY

Combating climate change (user electromobility and alternation energy for traction, smart electric rail network) and reducing operating costs (life cycle).

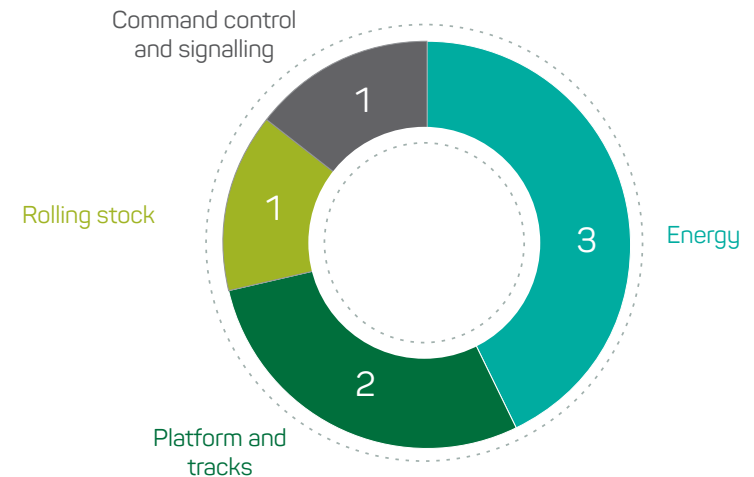
INNOVATION PROJECTS AND MILESTONES IN 2018

In 2018, Adif executed 23 projects and finished seven that had been initiated in prior years. Those projects break down as follows by type:

LIVE PROJECTS



COMPLETED PROJECTS



In 2018, the Company worked on a total of **23 R&D projects**. The results of seven of those have been transferred to the business. Sixteen new projects have been planned.

Of the seven projects completed in 2018, it is worth highlighting two European projects - **CAPACITY 4 RAIL** and **IN2RAIL**, both of which are focused on the development of new infrastructure technology.

The 23 projects the Company began to work on in 2018 notably include strategic projects designed to improve and resolve problems identified in rail operations, this being the criteria for embarking on new projects. Work also continued on projects focused on rail infrastructure digitalization, as well as other projects of different kinds.



PROJECTS TARGETED AT IMPROVING RAIL OPERATION ISSUES

PROJECT	GOAL
PLATFORM R&D	Inform passengers whether it is safe to cross to another nearby platform at the track level
BROKEN TRACK R&D	Detection of possible track breakage
VARIABLE GAUGE AXLE FOR FREIGHT R&D	Development of a new variable gauge axle for freight carriages



OTHER NOTEWORTHY PROJECTS

I+D+i ANTINTRUSIVE
I+D+i IMPACTO 0
I+D+i ELITES
I+D+i RAILWAY SMART GRID
I+D+i ECOMILLA AC MÁLAGA
I+D+i PN IV
I+D+i ERSAT GGC
I+D+i SMART STATION



PROJECTS TARGETED AT RAIL INFRASTRUCTURE DIGITALIZATION

PROJECT	GOAL
LIDAR R&D	Gradual implementation of new digitalization techniques across the rail infrastructure
TRANSFORMING TRANSPORT R&D	Application of big data analysis in predictive track maintenance
TUNNEL CURIOSITY	Tunnel inspection using a multi-sensor system
SENTINEL Project	Automation of asset inventorying

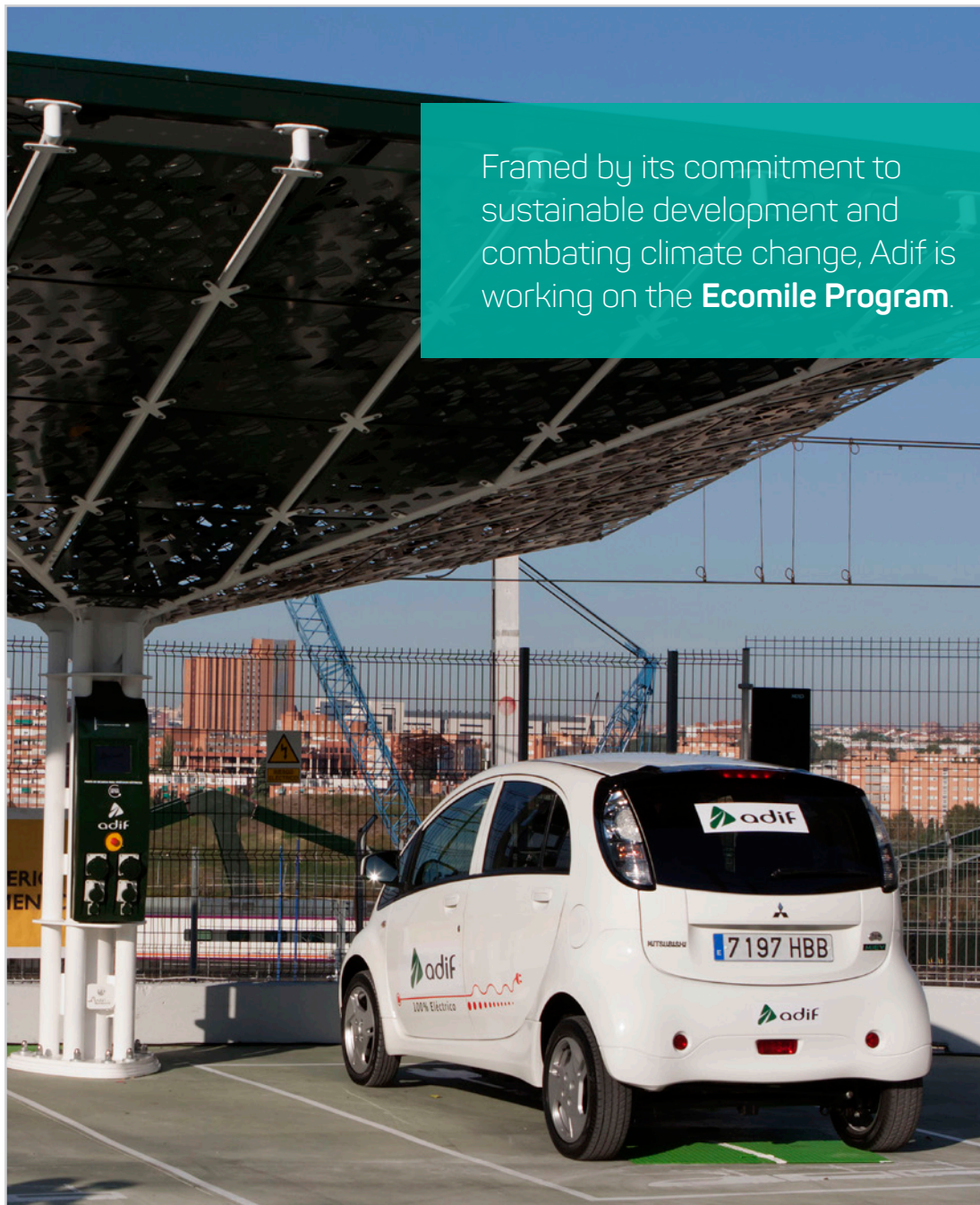
Framed by its commitment to sustainable development and combating climate change, Adif is working on the **Ecomile Program**.



ECOMILE PROGRAM: TOWARDS SUSTAINABLE INTERMODALITY

The unstoppable trend of population concentration in major metropolitan areas requires the creation of efficient solutions designed to address current needs but taking a forward-looking approach.

That was the backdrop for Adif's Ecomile Program, which attempts to designate specific areas in the car parks of the main rail stations for the promotion of sustainable mobility in first and last mile operations, using an energy-efficient and low carbon mode of transport.





KEY LINES OF INITIATIVE RELATED WITH DIGITAL TRANSFORMATION

Unified workplace

Migration to cloud environments

Electronic administration plan

Transformation of legacy applications

Renewal of Adif's online image

Adif 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 organizational change and adaptation in how people approach processes. Digital transformation not only requires the deployment of platforms and systems but also the modification of habits and processes, forging a cultural change in alignment with today's digital society.

In 2018, the Company's Digital Transformation and Systems Department's strategy materialized 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.



KEY DIGITAL TRANSFORMATION PROJECTS

Adif continued to support projects and plans in other areas of the business in order to further drive its transformation. For example, the “Master Plan for the Digital Transformation of Passenger Stations”; the “Implementation of a Single Asset Management Platform Plan”; and the “New Traffic Regulation Platform SITRA+”.

Under the umbrella of those initiatives, Adif rolled out two ambitious projects which apply all of the latest developments in and advantages of digital transformation directly in its stations: **Smart Station** and **Neural Station Center**.

SMART STATION: ADIF'S VISION

Adif is firmly convinced that its stations need to become powerful platforms for engaging with and servicing its passengers and citizens in general, acting as sustainability hubs which layer new features on top of their traditional offering related with social and environmental aspects and impacts, helping to create a smart and sustainable relationship between cities and their inhabitants. Stations should blend into the cities they serve, meeting the following characteristics:

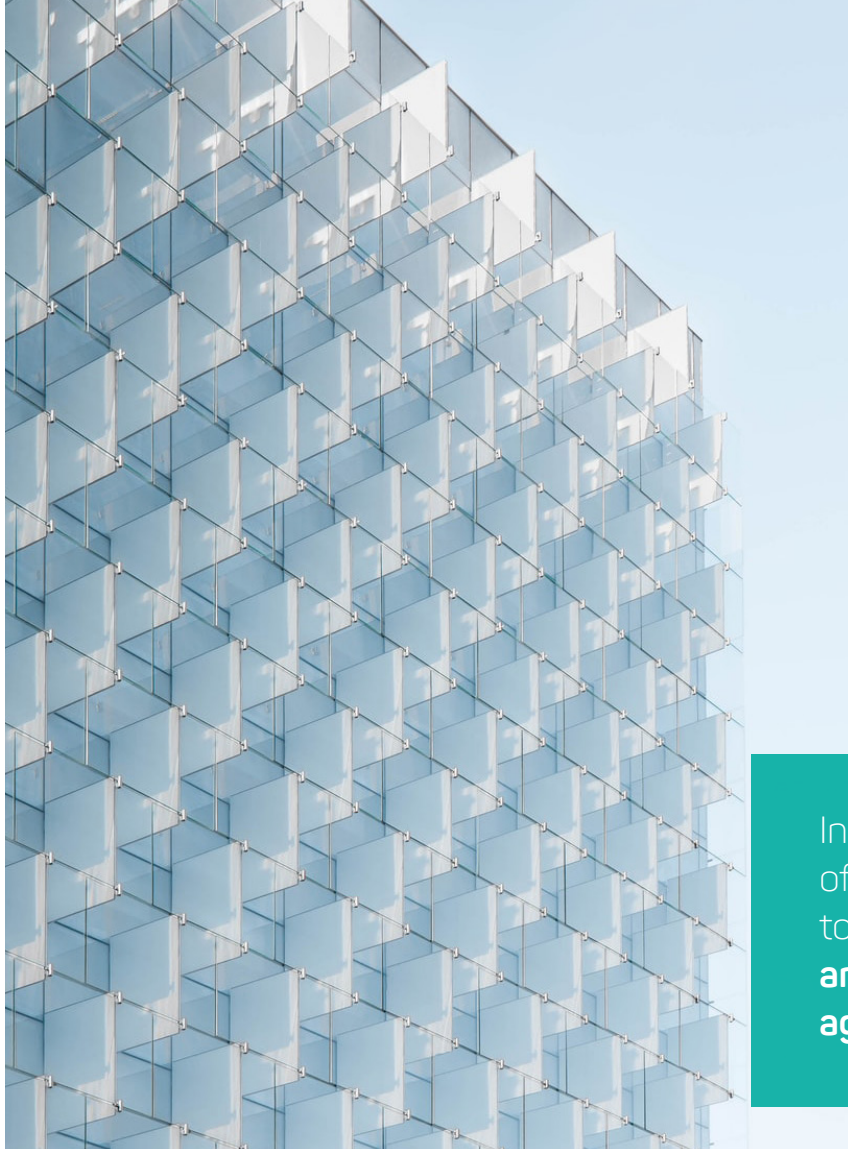
- **Living stations:** adaptive, sustainable buildings integrated into the surrounding ecosystem, equipped with smart tools and capable of responding to what citizens need.
- **Ability to recognize users** as soon as they enter a station, so becoming a mobile device-enabled personal assistant.
- **Meeting places,** natural, light-filled open spaces.
- **More effective maintenance,** thanks to sensors, automation and robots so that stations can carry out predictive maintenance and report any incidents or necessary repairs.
- **Hyperconnected:** fully integrated in the city and region, thanks to infrastructure integrity and supported by two-way data exchange.

NEURONAL STATION CENTER

Smart and hyperconnected stations also present the scope for evolution towards more advanced solutions. That is the idea underpinning the neural station center. Essentially, the idea is to create a center for the management, operation and maintenance of Adif's stations, from which it is possible to operate the installations and systems in all Adif stations and interact with customers and other interested parties.

The ultimate goal is to give Adif a 'voice' and the ability to reach out to passengers 24 hours a day, 365 days a year. Connected to the planned Smart Station platforms, this center is destined to become the brain of the station network through which all information will be channeled in order to facilitate and enable more agile decision-making, fueled by better data.

INTANGIBLE ASSETS AND TECHNOLOGY TRANSFER



In 2018, Adif managed a portfolio of intellectual and industrial property rights comprising 22 patents, 14 of which with several international extensions. It also managed seven utility models, four designs, 28 Spanish, seven EC and three international trademarks, 17 software applications and 119 manuals and rules registers.

With the aim of helping transfer know-how to the productive sector, in 2018, Adif was party to 12 technology transfer and manufacturing/commercial operation licensing agreements which generated €99,964 of royalty revenue for Adif and Adif-AV.

In 2018, Adif managed a portfolio of **22 patents** and was party to **12 technology transfer and manufacturing licensing agreements**.



THE RAILWAY INNOVATION HUB SPAIN

In May 2018, Adif and the Railway Innovation Hub Spain signed a framework protocol in order to collaborate on activities related with scientific research and technology development.

COLLABORATIVE INNOVATION

The competitive environment is obliging Adif to search for new ways of organizing 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 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.

SPECIALIST FORUMS IN WHICH ADIF AND ADIF-AV PARTICIPATE

South Summit
S-Moving
Enertic
Startup Olé
Transfiere



4

COMPANY

Corporate governance, transparency
and risk management

CORPORATE GOVERNANCE, TRANSPARENCY AND RISK MANAGEMENT



At Adif we believe it is essential to base our management on a governance system underpinned by: guaranteed compliance; integration of business ethics into the organization's culture (with a particular focus on our zero-tolerance stance towards corruption); and transparent management.

Adif is legally structured as a state-owned enterprise under the responsibility of the Spanish Ministry of Transport and Public Works, in accordance with Law 40/2015, on public sector legal regimes. It has separate legal personality, holds title to its assets and has full capacity to work to achieve its corporate object.



4.1. Governing bodies and internal management

The Board of Directors is Adif's highest governance body and accordingly has the broadest powers to administer and manage the Company. It is additionally empowered to determine its structure, approve its general organizational criteria and set the guidelines for any changes in the structure of its workforce.

The Board is steered by four advisory committees. Those committees are: the Audit Committee, the Ethics Code Oversight Committee (renamed the Ethics and Compliance Committee on October 18, 2018), the Executive Committee and the Procurement Committee.



BOARD OF DIRECTORS



In 2018, the Board of Directors met on **15 occasions.**

Adif's bylaws stipulate that the Board of Directors be made up of a chairman or chairwoman (who in turn shall preside Adif-AV) and a minimum of nine and maximum of 10 directors, whose appointment and dismissal falls within the remit of the Ministry of Transport and Public Works. The board itself must name a secretary who will have a voice but not a vote at its meetings, unless he or she is also a board member.

At December 31, 2018, the Board of Directors was made up of 12 members: the Chairwoman, the Secretary and 10 members.

(* Stepped down voluntarily as Secretary of the Board of Directors. Resigned with effect from December 31, 2018.

BOARD OF DIRECTORS ADIF 2018



D.ª Isabel Pardo de Vera Posada

29/06/2018



D.ª Rosa María Seoane López

23/03/2017*

Presidenta del Comité de Ética y Cumplimiento



D. Jorge Ballesteros Sánchez

18/04/2013



D. Miguel Angel Cilleros Sánchez

09/05/2014



D. Antonio Toscano Jiménez

10/01/2014



D.ª Myriam Bonafé Tovar

30/03/2015



D. Jesús Miguel Pozo de Castro

10/03/2017



D.ª Myriam Pérez Nogueira

28/02/2017



D. Alfredo Rodríguez Flores

05/07/2018



D. Domingo García Díez

12/07/2018

Presidente del Comité de Auditoría



D. José María Zalbidegoitia Garai

20/07/2018



D.ª María Pilar Seisdedos Espinosa

19/11/2018

● Members

● Chairwoman

● Secretary



41,7% female

STEPS DOWN

The individuals who stepped down from the Board of Directors in 2018:

D. Juan Bravo Rivera

29/06/2018

D. Óscar Romera Jiménez

04/07/2018

D. Andrés Ayala Sánchez

04/07/2018

D.ª. Carmen Fúnez de Gregorio

04/07/2018

D.ª. Mercedes Rodríguez Tarrida

19/11/2018

BOARD OF DIRECTORS ORGANIZATION



The most noteworthy aspects of how the Board of Directors is organized 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 2395/2004, enacting Adif's bylaws, 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.

DELEGATION OF VOTES

Members unable to attend the meetings of the board or its steering committees may delegate their votes in the Chairperson or another member of those bodies; unless specifically indicated to the contrary, their votes are effectively delegated with respect to all items featured on the meeting agenda.

RATIFICATION OF RESOLUTIONS

Board resolutions must be ratified by the votes of an absolute majority of its members in attendance or duly represented by proxy. The Chairwoman has the casting vote in the event of a tie.

REMUNERATION

The Chairwoman and Secretary do not receive any remuneration whatsoever for meeting attendance. As provided for in the Secretary of State Resolution on Budgets and Expenses of December 29, 2014, as worded in the Secretary of State Resolution of February 9, 2018, the members of the Board of Directors are entitled to meeting attendance fees of a maximum of €11,523.27 per year for a total of 11 sessions. That amount shall be reduced proportionately if the number of meetings is less than 11.



MAIN DUTIES AND ADRESSED ISSUES

BOARD OF DIRECTORS



MAIN DUTIES

The main duties vested in the Board of Directors are the following:

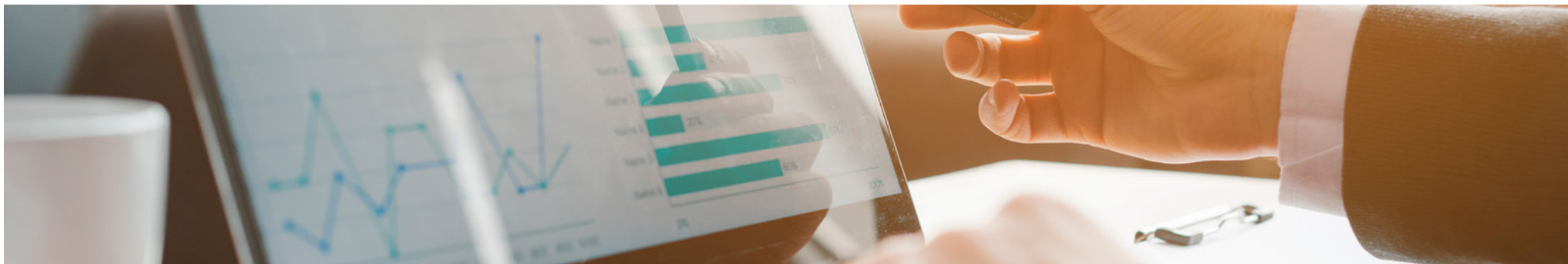
- Determining the Company's structure and the guidelines for modifying its workforce and key remuneration terms.
- Establishing the rules of operation and resolution ratification within the board.
- Approving annual operating and capital expenditure budgets and the multi-year action plan and presenting them to the Ministry of Transport and Public Works.
- Approving the annual financial statements, management report and proposed distribution of profit.
- Authorizing loans and other types of borrowings.

ADRESSED ISSUES AT MEETINGS

In 2018, the Board of Directors met 15 times. At those meetings, the attendees addressed issues such as:

- Contract tenders, adjudications and incidents.
- Collaboration and framework agreements.
- The grant of powers of attorney and delegation of powers; corporate and asset transactions.
- Approval of Adif's 2017 separate and consolidated financial statements.
- The Company's new structure.
- The 2018 update of the Network Statement.
- The charge proposals for 2018.
- Adif's anti-corruption and conflicts of interest prevention and management policy.
- Adif's 2020 Business Plan.
- Review of the corporate governance and compliance model.
- Initial approval of Adif's budget for 2018.
- Initial approval of Adif's budget for 2019.
- Catalogue of shunting services.
- Approval of the document amending the consolidated text of the agreement entered into for town planning development in the compounds of the Chamartin and Fuencarral railways in Madrid.

AUDIT COMMITTEE



 **50%** FEMALE

The Audit Committee is regulated by the rules of operation approved by the Board of Directors on November 27, 2009, which is when this governance body was set up. Those rules were subsequently amended on June 27, 2013.

At December 31, 2018, the Audit Committee was made up of three non-executive Adif directors: Myriam Bonafé Tovar (member), Jose María Zalbidegoitia Díez (member) and Domingo García Díez (chair). Its secretary is Rosa María Seoane López. Its members are named by the Board of Directors for a period of four years, with scope for re-election.

MAIN DUTIES

The Audit Committee supervises the Company's financial information and reports to the Board of Directors on its work and on any other matter it deems opportune.

Due to the corporate structure, scale and complexity of Adif, 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. Framed by that decision, on June 27, 2013, the Board of Directors approved **Adif's**

Internal Audit Statute, which sets down the mission, objectives, organizational structure, duties and responsibilities of the Internal Audit Department.

2 MEETINGS

3 MEMBERS

3 NON-EXECUTIVE



ETHICS AND COMPLIANCE COMMITTEE



 **33%** FEMALE

This new governance body was created on October 18, 2018, in response to Adif's new Ethics Management Model; it replaces the former Code of Ethics and Conduct Oversight Committee, which was effective until September 28, 2018.

As its name suggests, it is the body tasked with overseeing and, ultimately, enforcing, the Code of Ethics and Conduct approved by the Board of Directors.

MAIN DUTIES

Its main duties include:

- Assessing and overseeing compliance with Adif's Code of Ethics and Conduct .
- Supervising the whistle-blowing channel by which employees and third parties can report breaches of the Code of Ethics.
- Lead enquiries and claims with respect to alleged compliance-related breaches of Adif's Code of Ethics.
- Proposing amendments to the Code of Ethics in order to fine-tune it and adapt it for new circumstances and paradigms.
- Proposing measures for fostering familiarity and compliance with the Code.

- Reviewing compliance policies.
- Approving the European Commission's Fraud Risk Self-Assessment and Summary Report.

COMPOSITION

The committee was created with the following composition:

- D^a Rosa Seoane López / [Chairwoman](#)
- D. Michaux Miranda Paniagua / [Human Resources Member](#)
- D. Juan Pedro Galiano Serrano / [CR Member](#)
- D^a Lourdes Porta Etessam / [Risk Management Member](#)
- D. Manuel Fresno Castro / [Finance Management Member](#)
- D. Antonio Velázquez Borge / [Secretary / Compliance](#)



EXECUTIVE COMMITTEE



The Management Committee works as an extra-statutory deliberative body as well as an advisor of the President.

MAIN DUTIES

It has the following duties:

- Advising the Chairwoman on the matters within its competence.
- Advising the Chairwoman on board matters which must be reported to or approved by her.
- Debating other matters pertaining to Adif added to the agenda at the initiative of the Chairwoman or any member of the Executive Committee.



PROCUREMENT COMMITTEE



The Procurement Committee similarly advises the Chairwoman.

MAIN DUTIES

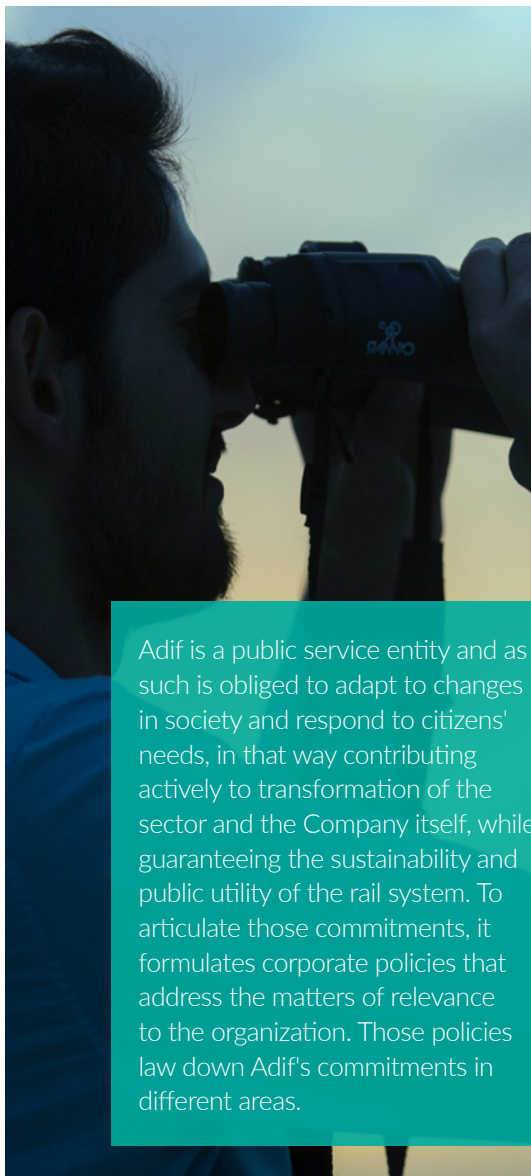
It has the following duties:

- Advising the Chairwoman on contracting 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.
- Debating and instructing about any other matter pertaining to contracting at the Company.



The Senior Management team's remuneration

is aligned with the provisions of Royal Decree 451/2012, regulating the remuneration regime applicable to senior officials and executives in the public corporate sector.



Adif is a public service entity 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 organization. Those policies law down Adif's commitments in different areas.

CORPORATE POLICIES

- Corporate Anti-Fraud Policy.
- Conflicts of Interest Prevention and Management Policy.
- Quality Policy.
- Environmental Management Policy.
- Preventive Maintenance Policy.
- R&D Policy.
- IT Security Policy.
- Code of Ethics and Conduct.
- Ethics Code Management Procedure.
- Enterprise Risk Management Policy.
- Fraud Prevention, Detection and Management Procedure.
- Safety Policy.
- EC Fund Fraud Risk Management Procedure

KPIs

Adif has defined the following specific performance indicators to control compliance with these policies, with a focus on the effort to **prevent corruption and bribery**:



Notifications received via the whistleblowing channel ⁽¹⁾

2016	2017	2018
57	73	57



Conflicts of interest reported ⁽¹⁾

2016	2017	2018
N/A	N/A	794



Employees receiving ethics training ⁽¹⁾

2016	2017	2018
568	238	542

⁽¹⁾ Integrated KPI for Adif and Adif-AV

4.2.

Business ethics and transparency

Adif'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 Law 19/2013 on transparency, access to public information and governance.

In 2018, framed by the Company's commitment to continuous improvement, Adif once again revised and updated its Ethics Model, fine-tuning the Code of Ethics and Conduct and approving a series of policies and procedures.

CODE OF ETHICS AND CONDUCT

The Code lays down the Company's values and ethics principles with the aim of formalizing the ethical conduct expected of everyone belonging to the organization and its governance bodies; it is similarly applicable to all third parties who engage with it.

The Code makes the following **commitments**:

- Compliance with the law
- Infrastructure safety
- Correct use of public resources
- Professionalism and integrity
- Prevention of 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
- Reputation safeguards

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, has been uploaded onto Adif's intranet and is in the public domain via the corporate website. Adif provides its employees with mandatory training on ethics management.

In that manner, Adif makes sure that all of its employees are familiar and act in accordance with its principles.



In 2018 **542 employees** received ethics training.



WHISTLE-BLOWING CHANNEL

Potential breaches of Adif's Code of Ethics and Conduct can and should be reported to the Whistle-Blowing Channel. That channel is managed by the Compliance Division.

The Whistle-Blowing Channel fields claims from Adif 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.

Adif's Whistle-Blowing Channel was visited 5,693 times in 2018 and it received a total of **57 notifications** of alleged breaches of the Code of Ethics and Conduct (29 via the intranet and 28 via the website).

In 2018, Adif recorded **794 reports** of conflicts of interest.

Adif demands that its employees act professionally and with integrity and does not tolerate any conduct that could be construed as corruption or bribery.

The Code of Ethics and Conduct embodies the commitment made by Adif'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, favor, 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 favoritism on the grounds of kinship, friendship or any other circumstances, in contracting and employee promotion processes.
- Avoiding any practice that might be considered less than exemplary.

Elsewhere, framed by the provisions of Law 19/2013 on transparency, Adif 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 participates in the Ministry of Transport's Transparency Portal, where citizens can get information about other public organisms, enterprises and foundations.

The Citizen's Portal is accessible via the corporate website: www.adif.es

MEASURES TAKEN TO PREVENT CORRUPTION AND BRIBERY

The Corporate Anti-Fraud Policy formulated by Adif is framed by its strategic orientation and, specifically, its commitment to creating value for society. Its ultimate aim is to develop a governance and management model that reinforces Adif as a state-owned enterprise that is well-managed and governed by stringent ethics and transparency principles.

The policy applies to all of the members of the Board of Directors, senior management team and in general, without exception and no matter their positions, responsibilities, areas of expertise or physical locations, all Adif employees.

ANTI-FRAUD EFFORT: KEY DOCUMENTS

The effort to combat fraud is one of the cornerstones of Adif'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.

OBLIGATIONS

Furthermore, Adif'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'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.



MEASURES FOR PREVENTING AND DETECTING ANY FORM OF FRAUDULENT CONDUCT

To exemplify its zero-tolerance stance on fraud and corruption, Adif 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's objectives, duties and measures in the fraud prevention arena.

The purpose of the EC 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 November 8, 2018, Adif set up the **European 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 establish. That Assessment, which encompasses more than 100 controls, must be revised and updated annually.

4.3.

Human rights pledge

Adif's commitment to treating people respectfully and with dignity 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 Labor Organization's Tripartite declaration of principles.

All Adif employees must respect all of the people the Company engages with, both within and outside the organization. The prevention of discrimination, provision of equal opportunities and dignified treatment of all are essential to nurturing a stimulating and productive work climate at Adif, one that translates into positive relationships and credibility vis-a-vis all of its stakeholders.

Adif **did not** receive any reports of human rights violations in 2018



4.4.

Risk management

Adif is exposed to a range of risks of different kinds, as a result of its activities and the borrowings taken on to finance them. The Company strives to manage its risks in a systematic and orderly fashion, following best practices in this arena. As a result, it frames its risk management effort as a strategic function that is instrumental in helping deliver Adif's goals and targets. The aim is to anticipate the risks that could impede delivery of its strategic objectives and give risk management a prominent position in the organization's culture and processes.

With that aim in mind, when it formulated the prevailing 2020 Transformation Plan, Adif identified its strategic risks in order to introduce specific measures designed to reduce their probability of occurrence and impact, mitigating their effects or assuming them and transferring them when necessary. In short, ensuring that its risks are adequately managed and kept within the established limits at all times.

Adif's risk management effort consists of identifying its relevant risks, evaluating them and designing measures for minimizing them.

Adif has an **end-to-end enterprise risk 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.

ENTERPRISE RISK MANAGEMENT SYSTEM

Adif 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 organization 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 standardized identification, assessment and management of risks, with clear roles and responsibilities.

RISK COMMITTEE

In keeping with the principles and responsibilities set down in the Enterprise Risk Management Policy, Adif has set up a Risk Committee which monitors the key risks that could jeopardize delivery of the organization's strategic objectives. That committee, which is headed up by the Risk Division, reports to the Executive Committee. The various key business areas are represented on it. The Risk Committee is responsible for drawing up and monitoring the strategic risk map.

RISKS MANAGEMENT



The risks included on that map reflect the main threats to which the Company is exposed that could impede or significantly affect delivery of its strategic objectives. In order to make the risk map more scalable and functional, it was decided to broaden the risk classification criteria (taxonomy). The key risk categories identified focus particularly on the **main business pillars**:

RISK CATEGORY	DESCRIPTION
SAFETY/SECURITY	Risks related with incidents, accidents or assaults that could affect the continuity of the Company's operations, the state of its assets, employees and customers or the environment.
OPERATIONS	Circumstances that could threaten the quality of the services provided, including development of the country's rail infrastructure.
REGULATIONS AND COMPLIANCE	Risks deriving from failure to strictly comply with applicable rules and regulations or with the codes and best practices adopted voluntarily.
REPUTATION	Risks that could harm the Company's image as a transparent and responsible state-owned enterprise.
FINANCIAL	Risks related with the availability of funds and the financial sustainability of the Company.

The risk management system entails reporting this information in parallel with the process of monitoring the Business Plan, generating comprehensive and reliable information about progress on delivery of the stated objectives and the trend in the related risks, thus improving decision-making.

The strategic risks identified in the 2020 Transformation Plan and their relationship with the Company's strategic objectives are depicted on the following matrix.

Note that management of Adif's ESG risks is in the process of being developed for implementation in 2020.



INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM

Adif has implemented an internal control over financial reporting (ICFR) system which is part of its 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 its financial information.

The ICFR system attempts to ensure the reliability of the Company's financial information by means of the following five objectives:

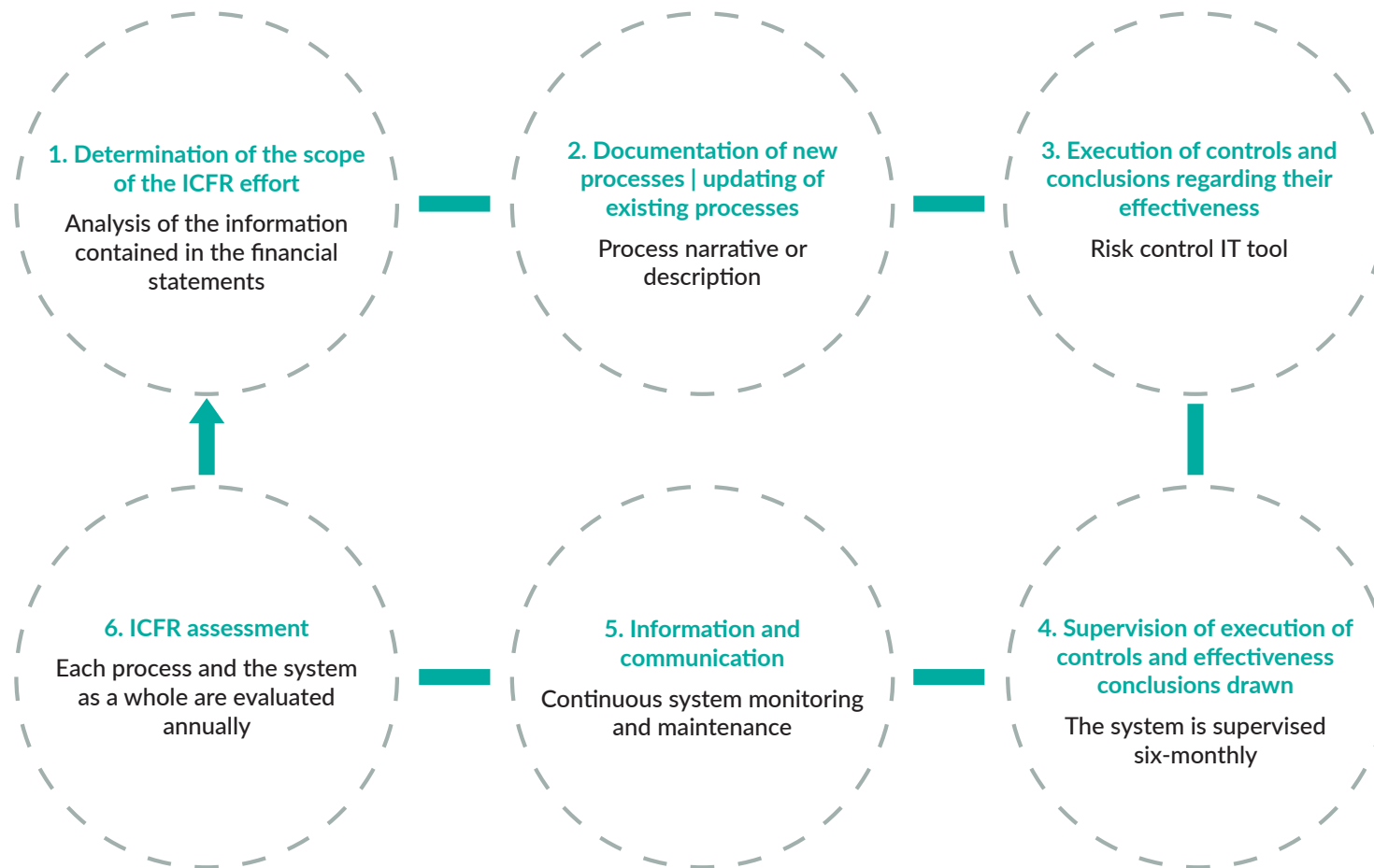
- **Existence and occurrence:** the transactions, events and other developments mirrored in the financial information exist and were recorded at the right time.
- **Integrity:** the information reflects all the transactions, events and other developments affecting the Company.
- **Measurement:** the transactions, events and other developments are recognized and measured in keeping with applicable regulations.
- **Presentation, disclosure and comparability:** the transactions, events and other developments are recognized and measured in keeping with applicable regulations.
- **Rights and obligations:** the financial information reflects, as of the corresponding date, the Company's rights and obligations by means of the corresponding assets and liabilities.

Adif's ICFR system is inspired by COSO III, an internationally recognized 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.



INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM

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**:



The ICFR Committee is chaired by the **Managing Director of Finance and Control** and is made up of the professionals responsible for each ICFR process, the heads of the Internal Audit, Treasury and Accounting, Planning and Budgeting and Risk divisions. It met twice in 2018.

At those meetings the committee members reviewed the prior year's ICFR effort, approved the scope of the effort for 2018, monitored and oversaw the 2018 cycle and proposed an assurance review by an external auditor.

5

IMPACT

Impact on society and shared value creation



IMPACT ON SOCIETY AND SHARED VALUE CREATION

At Adif we are keenly aware of our tall responsibilities, just as we are conscious that what we do has important consequences for society. For that reason, we are strongly committed to serving the general interest unwaveringly. We strive to have a positive impact on all our stakeholders, with whom we work to create shared value.

IMPACT ON SOCIETY AND SHARED VALUE CREATION



STAKEHOLDER ENGAGEMENT

5,438

social media initiatives

100%

of enquiries answered on website

527

agreements with sectoral and professional organizations



HEALTH & SAFETY

30% drop in accidents in transit

7% drop in days lost due to workplace accidents or illnesses

318

workplace health and safety committee meetings



SERVICE IMPROVEMENTS

€262.50M

(before VAT) awarded in construction projects

(works, services and supplies)

76 EMP users

€418.03M

destinated to maintenance



ECONOMIC IMPACT

€1.24bn

Generated economic value

€1.27bn

Distributed economic value

-€23.2M

Retained economic value

IMPACT ON SOCIETY AND SHARED VALUE CREATION



ENVIRONMENT

16.8%
reduction in carbon footprint

€18.4M
invested in fire prevention

15.9% reduction
in water consumption



EMPLOYEES

11,975 employees

14.1% female

93.2%
covered by collective bargaining

49.9 hours
training per employee



CUSTOMER ORIENTATION

-40.2%
claims

-29.1%
suggestions

7.62 out of 10 in
perceived quality

83.7%
passengers via accessible
stations

20
stations with Dialogue service



COMMUNITY COMMITMENT

413
Open Station Program
initiatives

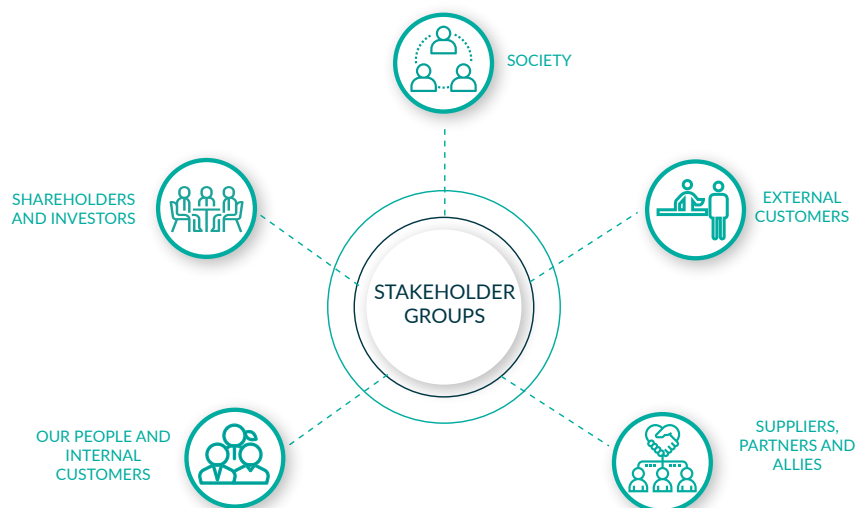
68 stations with Open
Station Program

62.5
km of new greenways

5.1. Stakeholder engagement

Adif 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 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 2020TP purposes, the Company grouped a number of groups into five priority stakeholder categories:



Adif 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 Adif.

To that end, the Company is planning to revitalize 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. As in 2017, Adif continued to prioritize the social media in its stakeholder engagement effort.



Main Channels

The corporate **website**, its social media presence, the media relations effort, the 24H Network Management Center, the Transparency Portal and special events are the main channels used by Adif to reach out to its stakeholders.

The next table summarizes the channels in place for communicating with Adif's various stakeholders.

STAKEHOLDERS

PUBLIC AUTHORITIES & INVESTMENT COMMUNITY

Ministry of Transport, state govt. and financial institutions

EXTERNAL CUSTOMERS

users of the rail system, rail operators, corporate customers, governments of other countries*

CHANNEL IN PLACE

- Ongoing communication via the competent authorities (Under-Secretary of State, Secretary of State for Infrastructure, etc.)
 - Follow-up meetings
 - Collaboration agreements
-
- Customer Service Offices in Adif stations (personalized customer service, grievance and suggestions management, etc.)
 - Annual satisfaction surveys: passengers and the tenants who lease commercial premises located in Adif stations
 - Information phone line and e-mail address
 - Agreements
 - Grievance and suggestions management mechanism (IT application, claims book, etc.)
 - Meetings with representatives of groups of citizens with a vested interest in rail infrastructure management in their towns
 - Website communication inbox
 - Social media
 - Adif app (real-time information about the status of the network and timetables)

SUPPLIERS

- Communication via e-mail and phone
- Collaboration agreements

BUSINESS PARTNERS AND ALLIES

- Sector-specific agreements and collaborations
- General and European assemblies, international delegations
- Expert events and forums
- E-mail and phone communication

SOCIETY

Citizens, associations, NGOs, European and international organizations**

- Adif's annual reports and other publications
- Ongoing provision of information to the public via the media
- Website communication
- Social media
- Transparency Portal

EMPLOYEES***

- Corporate employee portal
- Committees on which Adif workers are represented
- Surveys of workplace climate and engagement
- Internal communication
- Information about training courses
- Suggestion box
- Inbox for gathering suggestions about how to do things better

(*) For more information about the relationship with this stakeholders group, refer to the "Customer satisfaction" section

(**) For more information about the relationship with this stakeholders group, refer to the "Community commitment" section

(***) For more information about the relationship with this stakeholders group, refer to the "The team" section

AGREEMENTS

WITH SECTORIAL AND PROFESSIONAL ORGANIZATIONS AND ASSOCIATIONS



During 2018, for the best fulfillment of its purposes, Adif has established a comparison of the number of agreements with sectorial and professional organizations and associations:

IN FORCE		
	2017	2018
ADIF + OTHERS	502	527
ADIF-AV + OTHERS	25	34
ADIF + ADIF-AV + OTHERS	17	27
ADIF + ADIF-AV	5	6

SIGNED		
	2017	2018
ADIF + OTHERS	31	25
ADIF-AV + OTHERS	5	9
ADIF + ADIF-AV + OTHERS	5	11
ADIF + ADIF-AV	0	1

KEY PERFORMANCE INDICATORS 2018 COMMUNICATION WITH STAKEHOLDERS

The key performance indicators tracking Adif's effort to engage with its stakeholders in 2018 are summarized below:

INITIATIVE	2018
No. of social media initiatives	5,438
Percentage of enquiries responded to via the website	100%
Events managed by Adif	13
No. of initiatives carried out under scope of Strategic Communication Plan	331
Percentage of media information enquiries answered	100%
Percentage of transparency-related claims admitted for processing by the Transparency and Governance Board	7.56%



Next we briefly outline the relationship between Adif and some of its most important stakeholder groups:

PUBLIC AUTHORITIES AND EUROPEAN ORGANIZATIONS



Adif falls under the Spanish Ministry of Transport and Public Works, 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 and the Ministry is channeled mainly through the Under-Secretary of State, the Secretary of State for Infrastructure, Transport and Housing and, most particularly, the State Rail Department. 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 of Employment and Social Security and the Ministry of Finance and Public Authorities.

In parallel, Adif also engages with regulatory bodies such as 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 national statistics office (INE), universities and other public education centers with which Adif has collaboration agreements.

Adif is also in contact with and participates in a number of international organizations:

- **RailNet Europe (RNE):** collaboration on the planning and management of rail capacity in international corridors and on quality and efficiency improvements oriented towards the development of a competitive market for rail passenger and freight travel.
- **European Infrastructure Managers (EIM):** 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 modernization of the rail sector.
- **European Union Agency for Railways (ERA):** for the development of interoperativity, Adif-AV participates in this initiative via EIM.
- **European economic interest groups (EEIGs):** the development of cross-border projects related with international rail corridors and the Trans-European Transport Network (TEN-T) policy.
- **Platform of Rail Infrastructure Managers in Europe (PRIME):** development of the Fourth Railway Package. Adif 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's business strategy. Adif bases its supplier relations on guaranteeing transparent contracting and legal certainty.

Contracting procedures are framed by a dedicated policy which stipulates 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 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.

FORÉTICA



The Forética platform is an external association whose mission is to foster corporate cultures inspired by business ethics, social responsibility and sustainability. Today it is a benchmark organization in the CSR field in Spain and Latin America. In fact, it is the most consolidated and the leading Spanish platform in the corporate citizenship and sustainability fields.

Adif joined Forética in 2017. In 2018, it joined the platform's Taskforce for CSR in Public Enterprises, a forum for collaboration between entities coordinated by Forética with the aim of fostering the exchange of ESG-related know-how between the participating state-owned enterprises, raising the profile of corporate success stories; transmitting relevant international tools and trends; and making a positive contribution to leadership by public enterprises in this arena.

That Taskforce, which is spearheaded by Adif and ICO (the public credit institution) has 28 public sector members: Adif, AENA, CESCE, Correos, Emasesa, Enaire, Extremadura Avante, Grupo Tragsa, ICO, INFORMA D&B, ISDEFE, ITVASA, Metro de Madrid, Paradores, Renfe, RTVE, Valenciaport, Aquavall, Canal Sur Radio y Televisión, Corporación Pública de Aragón, Enresa, Grupo ENUSA, ICEX España Exportación e Inversiones, INCIBE, INECO, INFORMA D&B.

BUSINESS PARTNERS AND ALLIES



This stakeholder group encompasses Adif's subsidiaries and investees, including its joint ventures with local and regional governments for the integration of rail infrastructure into their respective cities ("Integration JVs"). Management of this stakeholder group consists of monitoring and coordinating the work done to integrate rail infrastructure into the urban landscape in collaboration with other areas of the Company. Against this backdrop, Adif establishes alliances with external firms and public bodies which can take the form of contracts, collaboration agreements and shareholdings.

As for the Urban Integration JVs, framed by the Company's efforts to adapt to its new strategic thrust and an economic environment that demands greater efficiency and transparency in the use of resources, Adif has refinanced the debt of certain companies and assumed the legal, administrative, accounting and financial management of others lacking the structure needed to do so, negotiating profit-participating loans instead.

SPANISH NETWORK OF THE UNITED NATIONS GLOBAL NETWORK



APOYAMOS
AL PACTO MUNDIAL

Adif formally completed its membership of the Spanish Network of the United Nations Global Compact in 2018. The Company decided it was strategically important for it to join that non-profit platform, the world's largest corporate sustainability initiative championed by the United Nations. Membership fits nicely with Adif's commitment to driving meaningful change in the way in which the Company approaches corporate responsibility and integrates it into its business strategy and operations in order to improve its performance and impact on society, contributing actively to delivery of the SDGs in the process.

5.2.

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's strategy and core element of the corporate culture that inspires its decision-making. Safety management starts from the imperative of minimizing 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 galvanizing all of the organization's employees into contributing to the safety mission.

DEPARTMENTS INVOLVED IN SAFETY MANAGEMENT

Safety management at Adif involves four departments and one sub-department:

- / CORPORATE DEPT. OF OPERATIONS AND CONSTRUCTION
- / CORPORATE DEPT. OF BUSINESS DEVELOPMENT
- / CORPORATE DEPT. OF PEOPLE MANAGEMENT
- / CORPORATE DEPT. OF TRAFFIC SAFETY
- / SUB-DEPT. OF QUALITY AND CUSTOMERS

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, as well as external workers who have labor relations of any kind with the Company. Adif is currently immersed in a process of reinforcing its internal safety culture, a process that is prioritizing risk analysis in relation to each area of activity, each process and each organizational change planned by the Company. Internally, the effort underway to reinforce the safety culture is tangible in the creation of the Corporate Safety, Processes and Systems Department.

In this manner, Adif focuses not only on improving rail traffic safety but also provides particular attention to preventing workplace accidents and helping keep its employees, carrying out a host of initiatives to that end. Lastly, in an increasingly digitalized world, cybersecurity is an increasingly important issue, both externally (vis-a-vis the suppliers that work with Adif and customers that visit its website) and among its own employees.

END-TO-END SAFETY CORNERSTONES 4 PILLARS

At Adif, end-to-end safety is underpinned by the following cornerstones:



PROTECTION AND SAFETY

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.



WORKPLACE HEALTH AND SAFETY

Commitment to the health and safety of its internal and external 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 or long-term basis.



RAIL TRAFFIC SAFETY

Management of the risks implicit in the running of trains, deriving from Adif's business activities and those of the rail operators, creating user confidence in the network they are travelling on. Adif is also responsible for safety at Adif-AV.



CYBERSECURITY

Protection of Adif's IT systems against external intrusions and assaults and those of the suppliers who work with Adif or the customers who visit its website.



PROTECTION AND SAFETY

The protection and safety front refers to the work performed by Adif to direct, coordinate and organize the human and technical resources needed to preserve the Company's facilities and infrastructure and ensure the safety of people and goods. It also encompasses the civil protection policy and oversight of compliance with safety regulations. The ultimate aim is to create a response system capable of absorbing the impact of a threat to business such as a possible terrorist attack.

A number of actions were taken in 2018. The most noteworthy are highlighted below:

SAFETY

- Presentation of 579 administrative complaints and 730 criminal complaints.
- Performance of 1,726 safety inspections and 110 extraordinary interventions.
- 1,066 assistances provided to individuals.
- 193 assistances provided in accidents.
- Recovery of 1,648 items of lost property.
- Score of 39.46 out of 45 in the assessment of the security services.

SELF-PROTECTION AND EMERGENCIES

- 33 Self-Protection Plans carried out.
- 93 drills performed.
- 140 inspections of protective assets and facilities.
- Internal audit of the Self-Protection Plan system.
- 255 training days for internal and external staff with 3,368 participants.

TECHNICAL AREA

- Six station protection and safety installation projects completed and another 49 documented.
- 16 items of equipment accepted at the Validation Lab.

For the second year in a row, the Company managed to reduce the number of incidents of electrical conductor theft, from 179 in 2017 to 141 in 2018. It also reduced the volume of materials stolen by 166 meters. Adif did not register any deliberate attacks on critical infrastructure; it recorded 911 crimes with an impact on its activities, down 12.3% from 2017.

In 2018, Adif carried out a total of **255 courses and 93 drills**.



TRAIN OPERATION SAFETY

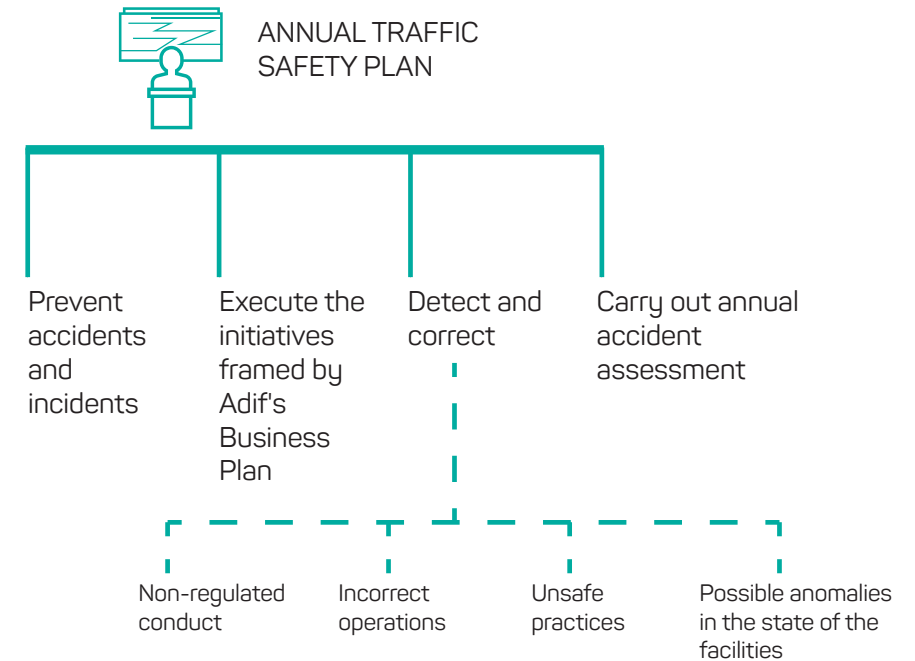
On the traffic safety front, the Rail Sector Act gives Adif the task of rail infrastructure control force. That means that the Company has police powers in relation to rail traffic and the use and defense of the related infrastructure.

Due to the creation of a single European rail area, coupled with the growing number of service providers operating over the network, safety standards are becoming ever more important. To that end, Adif works to guarantee safe rail traffic management, fostering a proactive culture of prevention and continuous improvement.

Adif has implemented a Traffic Safety Management System encompassing the construction activities and traffic safety aspects in respect of compliance with the technical and operational standards applied to the operation and management of traffic, the maintenance of rail infrastructure and rolling stock, the commissioning of structural subsystems and all improvement processes.

The ultimate goal of the system is to guarantee management of the operational, technical and organizational risks intrinsic to the activities related to safety in rail maintenance and operations so as to provide a stable and safe environment. In that manner, the Company ensures that the rail system as a whole upholds the desired safety objectives and standards and meets the safety requirements stipulated in the technical specifications for interoperability and certification. Safety is approached as a continuous life-cycle process, based on the application of a universe of policies, procedures and practices designed to enable the identification, analysis and control of risks.

The Company also has a Traffic Safety Plan, whose purpose is summarized below:



Accidents have been trending lower since 2008. The **accident rate decreased by 30% in 2018** compared to 2017.



Noteworthy initiatives in the traffic safety arena

SAFETY OVERSIGHT INITIATIVES AT ADIF

Adif inspects its rail infrastructure to make sure it is safe and in a good state of repair.

In 2018, it carried out 2,149 rail infrastructure inspections to ensure its state of repair for traffic safety purposes; of those, 145 were operational audits, 526 were level-crossing inspections and 614 were alcohol and drug tests. It expects to step up the inspection effort in 2019.

RAIL TRANSPORT CONTROL INITIATIVES

Adif's proactive safety initiatives are the activities carried out pre-emptively to detect risky situations and correct them before an incident occurs.

In 2018, it weighed 34,623 carriages, more than the 34,462 initially programmed, with better than anticipated results.

Under the scope of the Traffic Safety Plan, in 2018, Adif programmed the performance of 5,176 visual train inspections, ultimately carrying out 6,316.

OPERATION CONTROL INITIATIVES

These initiatives are aimed at detecting risks and anomalies and eliminating erroneous practices in safety operations.

Voice recordings at command posts and other control centres enable Adif to check compliance with the traffic safety rules and adopt corrective and preventive measures as required. In 2018, it checked 5,216 voice recordings in the conventional network and 403 in the high-speed network. Safety visits are designed to reduce the incidence of risk as result of failure to comply with traffic-related processes and tasks. In 2018, Adif conducted 6,023 visits in the conventional network and 740 in the high-speed network.

FOSTERING A CULTURE OF SAFETY IN SERVICE OPERATION

One of the most important thrusts of Adif's safety effort is the training it provides, along with the effort to award, expand, maintain and renew specific qualifications.

In 2018, the driving licenses of 15 Adif staff members were maintained and 17,269 qualifications were awarded to staff involved in safety activities at Adif and external firms, in keeping with prevailing regulatory requirements. It also evaluated 836 candidates seeking qualifications during the year.



Traffic accidents

2018 was marked by 36 traffic accidents (52 in 2017), five of which took place on the broad-gauge network. Further information about those accidents is provided below:

	2016	2017	2018
No. of traffic accidents	42	52	36
No. of traffic accidents on broad-gauge network	5	3	5
Men killed	21	21	13
Men seriously injured	33	7*	12
Women killed	8	7	3
Women seriously injured	25	4*	5
Total no. of victims (killed and seriously injured)	87	42	33

**For one of the accidents, the genders of the victims are not available*

In order to reduce the risk of crashes at level crossings in the general-interest rail network, Adif designed a comprehensive plan in 2017 for tackling this issue and reinforcing the measures already taken. Having approved the guidelines for a plan for improving level-crossing safety in general-interest network passenger stations, in 2018, Adif decided to expand the scope of the plan, which is no longer limited to passenger stations. That gave rise to the **Comprehensive Level Crossing Plan (PIMSCV)**, under which Adif will intervene at 568 level crossings affecting 394 stations.



GOALS OF THE COMPREHENSIVE LEVEL CROSSING PLAN

Improving safety conditions at authorized level crossings

Improving rail infrastructure with view to discouraging and preventing dangerous, unauthorized crossings

Raising passenger and citizen awareness by fostering safe conduct





Accidents

LEVEL CROSSING SAFETY PLAN

The Comprehensive Level Crossing Plan is one of the 25 initiatives under the 2020TP and is structured into four lines of initiative:

LINES OF ACTION FRAMED BY COMPREHENSIVE LEVEL CROSSING SAFETY PLAN

Safety improvement plan for authorized level crossings in general-interest network passenger stations and other areas.

Plan for the improvement and elimination of level crossings.

Safety improvement plan for the systems protecting rail infrastructure vis-a-vis incorrect crossings.

Awareness and education program for the prevention of passenger crossing crashes.

ELIMINATION OF LEVEL CROSSINGS

With the aim of minimizing the risk of collisions between vehicles and trains, in 2018, Adif continued to make progress on the initiatives set down in two related safety plans:

- 2016-2024 Level crossing elimination plan.
- 2015-2024 Level crossing protection plan.

In 2018, it worked on the elimination of 28 level crossings, 24 of which correspond to the conventional network and four to the broad-gauge network.

Budget and actions

The budget allocated to the Plan, which covers 45 actions, is **€312,767,030**. Some of those actions are summarized below:

- **A procedure is under development for assessing the risk of crossing between platforms and classifying all stations by risk levels;** the assistance plan for the victims of serious rail accidents and their relatives has also been revised.
- **Improvement and elimination of level crossings:** Adif is researching the use of new technology in the protection of level crossings and plans to formulate a level crossing risk assessment procedure.
- **Improving safety in the systems for protecting rail infrastructure vis-a-vis incorrect crossings:** Adif is working on an inventory of dangerous track crossings and preparing the documentation for a tender requesting technical assistance with plans for enclosure/protection construction projects.

Adif also participates actively in a number of forums in Spain and abroad where it shares its experience in traffic safety matters.

Adif has created a number of **committees** in order to involve its employees and their representatives in the **rail traffic safety management effort**: general committee; regional committees; technical committees; expert committees (load recommendation and exceptional transport committee).

Those committees met a total of 56 times in 2018 (52 in 2017).



WORKPLACE HEALTH AND SAFETY

Employee health and safety is of vital importance to Adif and one of its strategic objectives. To that end it works daily to safeguard Adif's position as a benchmark in the sector for its low accident rates, framed by a tireless commitment to prevention.

Adif's workplace health and safety effort is described in further detail in section 5.6. The Team – Workplace health and safety.





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.

Adif's 2020 Transformation Plan includes the cybersecurity strategic objectives under the Safety Pillar, namely "Protecting the IT and OT systems against intrusions and assaults and minimizing 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 safety 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 and part of one of its strategic pillars, the ultimate goal being to protect its IT systems against intrusions and assaults and minimizing 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's strategic objective is to guarantee the integrity, availability and confidentiality of the organization'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 organization'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's business and are highly heterogeneous in nature. Adif has set up a management committee, a technical committee and an operational taskforce 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 analyzed in order to identify vulnerabilities and the Company's level of maturity, establishing action plans to mitigate the risks so identified.

A new initiative was set in motion in 2018 - "Safety Services Managed by the IT Systems" - which, when operational, will service and support two main areas: the Governance, Risk and Compliance Area and the Operations and SOC (Security Operations Center) Area.

In May 2019, Adif entered into a contract for the protection of Spain's rail infrastructure against cyberattacks in collaboration with the **IT security incident response team at Spain's national cryptology center (CCN-CERT)**.

5.3.

Service improvements

In order to carry out its duties to the highest standards of quality, Adif 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 optimizing 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's quality management system is ISO 9001-certified, while its environmental management system is ISO 14001-certified in respect of its construction, maintenance and operation activities. Those certifications have the following scope:

- Management of platform, track and rail facility maintenance.
- Operation of passenger stations and freight logistics centers.
- Administration of the general-interest rail network.
- Management of the fuel deposit.
- Control and oversight of compliance with the environmental conditions set down in Adif'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.

CONSTRUCTION

Adif's work in this area consists not just of building new infrastructure for the conventional network (tracks, tunnels, viaducts, etc.), but also modernizing and upgrading existing assets, at the behest of the Ministry of Transport and Public Works or at the Company's own initiative.

In the domestic market, from the building perspective, the main thrust of activity in 2018 was to plan and execute projects to improve functionality and operability, boost facility performance and lengthen the assets' useful lives, with a focus on enhancing accessibility and introducing new technologies so as to move the Company's stations towards the smart facility concept.



In 2018 Adif completed projects and works with an estimated value of **€7.41M**, of which **€3.5M** correspond to **accessibility related works**.

Some 83% of all passengers passed through accessible stations.

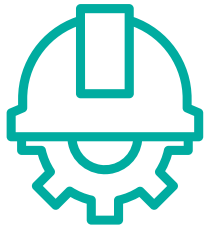
Asset Management Platform

Adif has an ISO 55000-certified Asset Management System, with a systematic operation process (SP 110 Asset Strategy). It is designed to enable the upgrade of the organization's assets in a profitable manner over their life cycles and combines the use of engineering and analytical analysis with good business practices and economic theory. The tool that facilitates that control function is the Asset Management Tool, which is currently in place in the conventional network.

Adif's Asset Management System is articulated around objectives, and, as with the traditional planning process, encompasses processes designed to guarantee the data collection (data sources), strategy assessment, planning and programming selection and feedback (monitoring, control and fine-tuning of the strategy).

The asset management model is a holistic model which refers explicitly to the integration of all of the decisions taken in every area of the Company. The goal is to maximize the benefits of a transport program oriented towards its customers and other stakeholders on the basis of well-defined objectives, framed by available resources.

In 2018, Adif continued the process of deploying the Asset Management Platform in the conventional network. A total of 76 users are currently signed up to the application. The idea is to gradually extend it to the high-speed network and the broad-gauge network.



CONSTRUCTION*



AMOUNT TENDERED FOR THE YEAR

€885.87
million



AMOUNT ADJUDICATED FOR THE YEAR

€262.50
million

* Amounts before VAT. Includes works, services and supplies

KEY CONSTRUCTION AND INFRASTRUCTURE UPGRADE ACTIVITIES

- Rehabilitation or upgrade of overhead contact lines.
- Remodelling, rehabilitation and commissioning of substations.
- Track replacement, rehabilitation and treatment of trenches.
- The work at the Tarragona, Renedo and Sant Jordi Des Valls stations was completed.
- Steps have been taken to tender the work needed to improve level platform crossing safety. Work will be done at 568 track crossings affecting 394 stations.
- Construction plans were drawn up for the remodelling of the Madrid-Vicálvaro Rail Terminal.
- Repairs were performed at 23 bridges on the Monforte-Ourense line.
- Other bridges, such as the O Barqueiro bridge on the Ferrol-Pravia line, were reinforced.
- Among the emergency works finished it is worth highlighting the metal structure in Urumea and the Gaintxurizqueta tunnel, both on the Madrid-Hendaya line.
- The works on the Camarillas diversion between Aragon and Cieza are under construction.

MAINTENANCE

The work carried out in this area consists of maintaining the infrastructure in an efficient and sustainable manner, from the economic and environmental standpoints, framed by the goal of offering users the highest possible levels of safety, reliability and availability.

Adif earmarks human and technical resources to the performance of its maintenance work. It aims to optimize preventive maintenance and manage inspection activities as efficiently as possible, so reducing incidents.

The Company maintains the train stations comprising both the conventional and high-speed networks. Specifically, Adif manages and maintains a network of 11,991km on which 5,256 trains run daily.



The total **amount** adjudicated to **maintenance** of the conventional network was **€299.5 million** in 2018.

KEY SAFETY ACTIVITIES

- Execution of the installation of two-way automatic block signalling on the Aranjuez-Alcázar de San Juan section.
- Adjudication of the contracts for the renewal of the centralized traffic control (CTC) signalling in León, Oviedo and El Berrón (the latter, broad gauge).
- Plans drawn up for the installation of single-track automated block signalling on the Ferrol-Ortigueira section.
- Completion of construction of single-track automatic block signalling with CTC on the Gaucín-Algeciras subsection.
- GSM-R wireless communications standard works on the Humanes-Monfragüe section under execution.

KEY ENERGY ACTIVITIES

- Installation of six braking energy recovery systems under execution.
- The tenders for the construction of new substations (El Prat, Parets and Tolosa) have been adjudicated.
- Rehabilitation of the electric traction substation at the Príncipe Pío station is under execution.
- Refurbishment of the Pineda de Mar substation.
- Plans for the partial rehabilitation of the catenary line, replacing the contact line, on the Madrid-Atocha-Guadalajara stretch, are being drafted.
- Commissioning of the Las Cabezas de San Juan substation and the Rifa and Cruce substation on the new Vandellós diversion.
- Commissioning of the new substation in Vallecas.



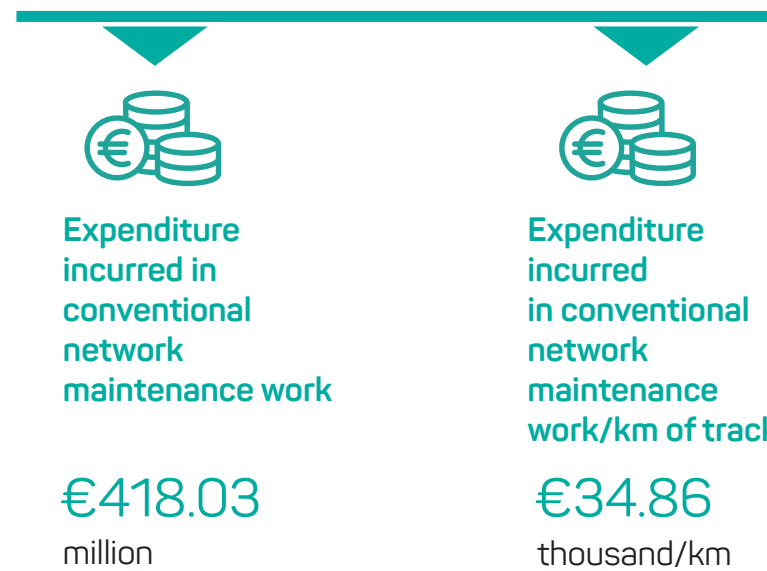
Adif's **total investment in maintenance work** in the conventional network amounted to **€397.17 million** (including VAT) in 2018.

Of that total, **€347.08 million euros** (including VAT) was earmarked to **stations, logistics facilities and cross-cutting investments**.

Total expenditure on conventional network maintenance was €418.03 million in 2018.



MAINTENANCE*

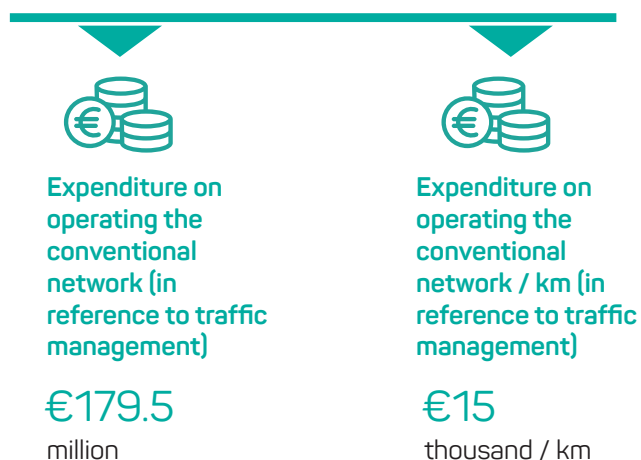


RAIL INFRASTRUCTURE OPERATION

Adif is the state-owned enterprise tasked with managing rail network traffic, adjudicating capacity to the rail operators and new candidates, directing and coordinating traffic and programming and verifying facilities, enabled by cutting-edge operating systems. The overriding goal is to boost rail transport at the lowest possible cost for society.



OPERATION*



24H NETWORK MANAGEMENT CENTER

This center is a multidisciplinary rail traffic management center. It coordinates the Company's operating areas across the board and shares information in real time, 24 hours a day, regarding the processes and actions, whether preventative or corrective, to be taken. Its main mission is to resolve any contingencies that may arise quickly, to ensure the daily Transport Plan is executed.

The 24H Network has programs custom-developed for traffic control. They include the DaVinci system, which is considered one of the most advanced rail traffic management systems in the world; it enable integral management of the high-speed network by means of maximum coordination of all of the subsystems that participate in the rail network's operations.

Adif carries out the significant traffic management tasks and also adjudicates capacity for the network owned by Adif-AV.

RAIL TRAFFIC PLANNING AND MANAGEMENT

The Company currently has the following resources for planning and managing network rail traffic:

- One capacity management and adjudication department.
- 22 command and control centers (18 in the conventional network and four in the high-speed network).
- One 24h network management center.
- Traffic offices.
- Roaming traffic services.

Adjudication of capacity to the rail operators and management of the running of their trains is oriented toward satisfaction of those providers' needs, framed by non-discriminatory treatment and a pledge to ensure safe train traffic underpinned by network utilization optimization criteria.

The length of the network whose management is entrusted to Adif is 11,990km*, broken down as follows:

Figures in km/line (at December 31)	2016	2017	2018
High-speed standard-gauge network (UIC) (km)	57	57	57
Iberian-gauge network (km)	10,797	10,766	10,621
Mixed-gauge network (UIC + Iberian) km	119	119	119
Narrow-gauge network (km)	1,207	1,207	1,193

**The length under management has decreased due to transfers of title from Adif to Adif-AV of sections of the Iberian- and narrow-gauge networks needed to develop the high-speed network.*



Volume of traffic

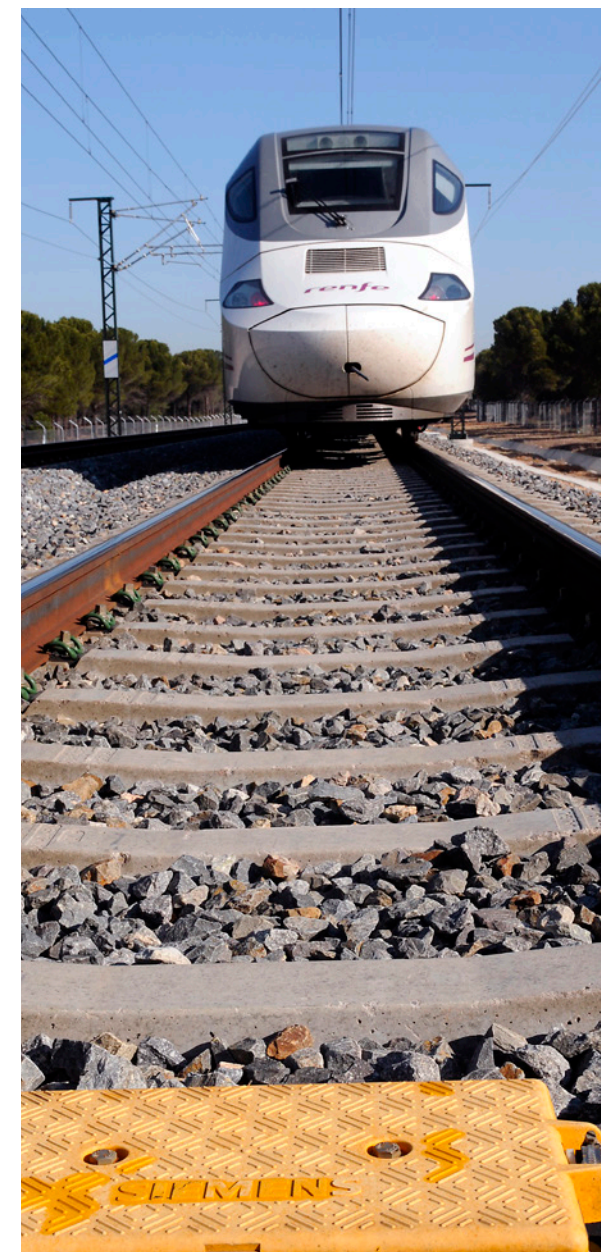
The key performance indicators for the volume of traffic managed by Adif are the following:

	2016	2017	2018
Average daily traffic (no. of trains)	5,357	5,306	5,256
Total traffic	1,960,637	1,936,568	1,918,294
Train-km (daily average)	389,517	389,886	385,153
Train-km (total)	142,563,388	142,308,372	140,580,714

Over the course of 2018, traffic on the general-interest rail network managed by Adif and Adif-AV declined slightly: passenger traffic declined by 0.9% and freight traffic, by 0.3%.

Passenger traffic on the general-interest rail network managed by Adif and Adif-AV amounted to 115,021,679 train-kilometers in 2018, down slightly from 2017 (-0.9%), driven mainly by lower traffic on the long-distance and medium-distance routes. Traffic on medium-distance routes declined by 2% and on long-distance routes, by 2.5%. Commuter train traffic declined by 0.6%.

Freight traffic on the general-interest rail network managed by Adif and Adif-AV amounted to 24,829,309 train-kilometers in 2018, down 0.3% from 2017.




STATION MANAGEMENT

Station management is a fundamental aspect of rail transport development as it is via these facilities that Adif 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.).
- 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.

2018 marked the start of the digital transformation of the Company's stations, based on the customer experience and leveraging the latest technologies. The idea is to move towards more personal stations equipped to offer a higher standard of customer service in order to make them more competitive and give them with new facets: stations in which, in addition to travelling, one can work, take in some leisure and culture, etc. With that idea in mind, and framed by 2020TP, specifically the Plan for the Digital Transformation of Stations, Adif has engaged an expert consultant to help it define the digital strategy; an initial version is already available.



In 2018, Adif / Adif-AV owns **1,498 stations (42 are from Adif-AV)**. Of these, **639 stations are managed by these entities**, and **in 859 stations, the management has been entrusted to Renfe Operadora** under the Agreement for the provision of services in suburban stations, signed by both entities in September 2011.

Another two initiatives were undertaken along this same digital transformation thrust:

SMART CITIES

Collaboration on approval of a new standard - UNE178109 "Smart cities. The smart station and connection with the smart city platform" - with the Technical Standardization Committee (CTN 178: "Smart Cities") at Spain's national standards association, UNE.

SMART RAILWAY STATION PLATFORMS

Contribution of a proposal for the development of an ITU recommendation on "High-level requirements and capabilities of smart railway station platforms", at a working session of the SG-20 of the International Telecommunications Union (ITU), regarding the IoT, Smart Cities and Communities, which took place in Wuxi (China).

Other initiatives in stations:

Other initiatives pursued in 2018:

- Execution of an extraordinary conservation plan for stations with fewer passengers. In 2018, the Company intervened at 381 stations (88% of those planned), spending €1.4 million; work worth a further €0.34 million was under execution at year-end.
- Inspection of the state of repair and drafting of proposals for the improvement of 535 stations with fewer passengers.
- Commissioning of the ELCANO passenger information service at the stations in Cadiz, Jerez de la Frontera, Benicarló, Vinarós, Alcolea de Córdoba, Villarrubia de Córdoba and El Higuerón.

The 'MásCosas' brand was introduced in three new premises, for example at Vitoria station. That trademark unifies all restaurant and store activities into a single premises operated by an expert. Five stores are currently operating under this trademark.

As for the upgrading of stations from the building perspective, the thrust of activity in 2018 focused on planning and executing projects to improve functionality and operability, boost facility performance and lengthen the assets' useful lives, with a focus on enhancing accessibility and introducing new technologies, with the aim of moving the Company's stations towards the smart facility concept.

Adif completed projects and works worth around €7.41 million in this arena in 2018, **€3.5 million** of which was earmarked to **improving accessibility**. Currently **83% of passengers pass through accessible stations**.

The last major milestone worth highlighting is the start of the process of tendering the work for the safety enhancements at platform level crossings, in response to 'Technical Recommendation 7/2018 from the State Rail Safety Agency' regarding Pedestrian Level Crossings' of October 31, 2018. The tender includes the supply and installation of signals and a framework agreement establishing the processes to be followed in upgrading the track crossings (lighting, signaling, tactile paving, etc.). Work will be done at **568 track crossings affecting 394 stations**.

Note, finally, that the **quality satisfaction surveys carried out in 2018** regarding the services provided at the high-speed and conventional stations yielded an **overall score of 7.62 out of 10**, which was higher than the 2017 score.



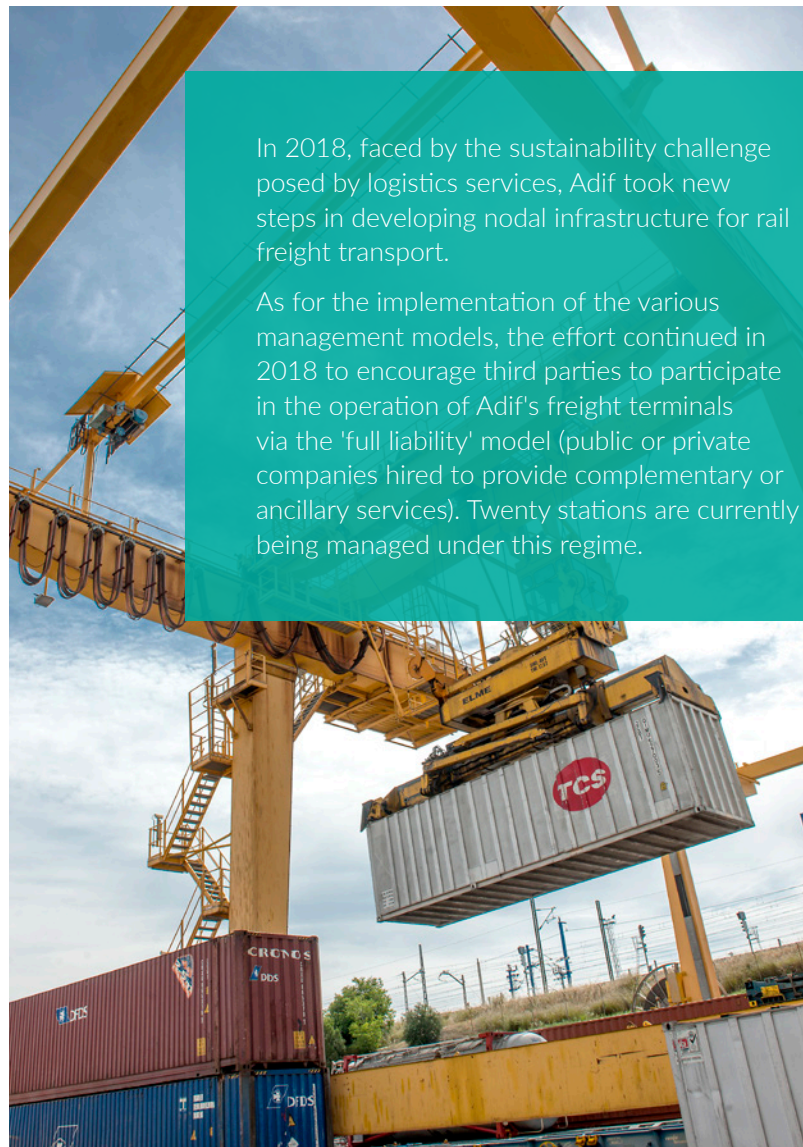
LOGISTICS SERVICE MANAGEMENT

In 2018, faced by the sustainability challenge posed by logistics services, Adif took new steps in developing nodal infrastructure for rail freight transport.

As for the implementation of the various management models, the effort continued in 2018 to encourage third parties to participate in the operation of Adif's freight terminals via the 'full liability' model (public or private companies hired to provide complementary or ancillary services). Twenty stations are currently being managed under this regime.

The **main lines of activity** in logistics services are:

- 187 facilities in which shunting and logistics are directly managed by the rail companies under a self-service regime.
- Entry into effect of the Ancillary Shunting and Operations Service Catalog for Rail in each of the 38 facilities in which Adif provides these services. That catalog has simplified the service offering relative to prior years, with a view to facilitating customer management.
- Agreement to maintain rail shunting and operations prices for 2019. Maintenance of ITU handling prices, which have been frozen for 2019.
- Active collaboration with the City Council of Aranjuez on the publication of a new Expression of Interest regarding Adif's facility in this town.
- Ongoing work with the various port authorities in order to improve rail access to the ports.
- Reinforcement of the figure of the Service Infrastructure Manager in order to service and guide the rail companies, service providers and customers in general on the allocation of capacity at the facilities managed by the logistics services area, thanks to an IT tool called SYACIS.
- As part of the initiatives undertaken under the umbrella of the project for the Development of the Strategic Network of Efficient Node Infrastructure, construction plans were drawn up for phase one of the remodeling of the Madrid-Vicálvaro Rail Terminal.
- As part of that same action plan, Adif tendered the work for drafting the plans for building phase one of a multi-modal platform in Júndiz.



5.4.

Financial performance and economic value generated

In 2018, Adif recorded a loss of €74,189 thousand, compared to a profit of €30,974 thousand in 2017.

Adif's main sources of income come from the state (for the maintenance of its public services), as well as from the services provided to Adif-AV and direct customers and the charges collected.

Figures in € million	2016	2017	2018
Revenue	1,758	1,752	1,847
Operating expenses	-1,830	-1,699	-1,918
Operating profit/(loss)	-72.1	52.6	-71.8
EBITDA	-61.7	91.0	-20.8
Net finance income/(cost)	-7.4	-21.8	-2.5
Profit/(loss) before tax	-79.5	30.7	-74.3
Profit/(loss) for the year	-79.1	31.0	-74.2



THE INCOME STATEMENT

2018 VS 2017

The income statement reveals some significant movements year-on-year.

+71%

Revenue

Revenue increased by 71% from 2017, due to the growth in revenue from charges following the application of new tariffs and a new charge structure since July 1, 2007.

The Company applied an increase in its rail charge tariffs for 2017, as approved in the general state budget for the year in question, which entitles it to translate to the passenger rail operator the costs of administering the conventional network in respect of the commuter, city and intercity passenger services, which include the following:

- Urban and suburban services.
- Intercity services.
- Services declared as public service obligations.

Following that price increase, the state's contribution to financing the network's administration and management, which in 2017 amounted to €358 million, was eliminated from 2018 on.

-39%

"Other operating income"

"Other operating income" decreased by 39% from 2017 (€353 million). The reason for that development was the above-mentioned elimination of the state contribution to financing the maintenance and management of the network infrastructure owned by Adif, which has been offset by growth in revenue from rail charges

-14%

Ticket sales and other services

Revenue from services provided in stations and terminals decreased by 14%. In May 2017, following an agreement between Adif, Adif-AV and Renfe, Adif sold its standalone business unit known as the "Sales Channel" to Renfe Viajeros S.A. That meant a drop in revenue from commissions on ticket sales in 2018, as well as a decrease in staff costs and external service expenses.

+13% Cost of sales

The cost of sales increased by 13% year-on-year in 2018 due to higher fuel prices and consumption.

Stability in staff costs

Staff costs were virtually flat year-on-year. That performance was shaped by two offsetting developments in 2018: (i) the wage increase of 1.75% stipulated in the general state budget; and (ii) a drop in costs following the transfer to Renfe Viajeros of 844 employees associated with the ticket sales unit.

+5% External service expenses

External service expenses increased by 5% (from €513 million in 2017 to €541 million in 2018). That is due to Adif's interest in maintaining higher standards of service provision, which translated into a significant increase in network maintenance and operation costs.



Withdrawal of fixed assets

Following approval by the Spanish Cabinet of the transfer of different sections of the general-interest rail network from Adif to Adif-AV for no charge, in 2018, Adif recognized balancing entries under derecognitions of 'Property, plant and equipment' and 'Release of grants related to assets', as virtually all of the costs associated with the sections of network transferred were financed by the state prior to their transfer to Adif in February 2013.

	SECTION			
	La Encina - Xátiva	Taboadela - Ourense	El Reguerón - Cartagena	Astigarraga - Irún
Length (km)	38	14	67	25
Date of Cabinet rulings	23/02/2018	06/02/2018	25/05/2018	25/05/2018
Transfer by Adif to Adif-AV	25/05/2018	25/05/2018	26/09/2018	26/09/2018
Carrying amount (Thousands of euros)	116,123	9,945	30,395	82,875

Adif's net finance cost improved in 2018, declining from nearly €22 million in 2017 to €2.5 million.

In 2018, Adif recorded a loss of €74.2 million, compared to a profit of €31 million in 2017.

+€19M

Net finance cost

The Company's net finance cost improved by €19 million in 2018, declining from nearly €22 in 2017 to around €2.5 million in 2018, shaped by a reduction in bank borrowings and an improvement in the real estate market. The latter enabled the Company to reduce the amount of provisions for liabilities and charges related with a number of investees whose core activity is to integrate rail assets in urban environments.

1.89%

Average interest rate

Lastly, it is worth highlighting the improvement in the average rate of interest borne on its interest-bearing liabilities, to 1.89% in 2018 (compared to 1.85% in 2017). Elsewhere, Adif's working capital requirement increased by €536 million to €863 million in 2018 (2017: €327 million).

Economic value generated, distributed and retained



All of the above gives rise to the following figures for economic value generated, distributed and retained in 2018.

Figures in € million	2016	2017	2018
Economic value generated*	1,290.3	1,322.7	1,244.7
Economic value distributed**	1,359.0	1,253.2	1,267.9
Economic value retained***	-68.7	69.5	-23.2

(*) Economic value generated: ordinary + extraordinary income

(**) Economic value distributed: operating expenses + finance costs + taxes

(***) Economic value retained: Economic value generated - Economic value distributed

Cash flows generated



Lastly, the cash flows generated by financing activities

Figures in € thousand	2017	2018
Grants, donations and equity instruments issued	513,712	360,013
Increase/(decrease) in bank borrowings	-46,771	-38,854
Increase/(decrease) in other borrowings	11,472	32,554

5.5.

Environmental management and climate change action

Adif 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.

In its 2020 Transformation Plan, the environment features as business strategy priority. Specifically, the environmental commitment is set down in Strategic Objective 3.2 on the Environment and Climate, with the stated aim 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 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.



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'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 environmental policy at both firms. Adif-AV also provides Adif with other environmental management services.

SEPARATION OF ADIF AND ADIF-AV

Via mandate



ADIF-AV MANAGES THE ENVIRONMENTAL ASPECTS



- Provision of advice on energy efficiency
- Support with technical interventions of an environmental nature
- Management of electric power (for uses other than for traction)
- Oversight of Environmental Policy
- Impetus for certified Environmental Management Systems
- Maintenance of open communication and information channels with institutions and general public
- Oversight of compliance with applicable environmental legislation



The General Procedure for the Management and Coordination of Environmental Activities at Adif 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.

The Environmental Management System starts with identification of the environmental impacts deriving from Adif's activities, which are mainly the result of the operation of the Iberian- and metric-gauge conventional networks, including rail traffic and the conservation and maintenance of the associated infrastructure, installations and stations.

ADIF'S KEY ENVIRONMENTAL IMPACTS



Derived from



CONSERVATION AND MAINTENANCE WORK

- Problems affecting soil, fauna, vegetation and cultural heritage
- Generation of noise and vibrations



LINE OPERATION

- Soil contamination
- Generation of hazardous waste
- Generation of noise and vibrations

Adif's Environmental Management System is based on the **ISO 14001:2015** standard and has been certified by AENOR. Via this certification, Adif is in a position to assure that it:

- Guarantees compliance with applicable environmental legislation with respect to the certified activities and centers.
- 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's activities:

- Management and coordination of research studies and projects related with conventional rail network infrastructure and facilities.
- Control and oversight of compliance with the environmental conditions set down in Adif's environmental impact statements, its environmental oversight plans and the requirements applicable to its conventional rail network infrastructure and facility construction activities.
- Management of platform, track and conventional rail network facility maintenance.
- Operation of conventional network passenger stations and freight logistics centers.
- Management of the fuel tanks (bonded warehouses).
- Administration of the general-interest rail network.

The relevance of environmental management in the development of business activity is supported by the Integral Management model of Risks, requiring the corresponding monitoring and periodic control from the perspective of the management of the risk.

To this end, Adif allocates human resources that, together with its Environmental Management System, allow to minimize any negative impact.

Thanks to the Company's strong environmental practices, **there were no serious environmental incidents in 2018; nor was Adif handed down any penalties** for serious or very serious breaches of environmental regulations.

VOLUNTARY INITIATIVES

Framed by its firm commitment to carrying out its activities in a manner that protects the environment, Adif 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:

- Oversight of consumption of natural resources: Adif regularly prepares indicators tracking its consumption of water, energy and fuels.
- Ballast quarry certification: Adif 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 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 participates in the UIC's (Union Internationale des Chemins de fer) Environment, Energy and Sustainability (EES) Platform.



SUSTAINABLE USE OF RESOURCES



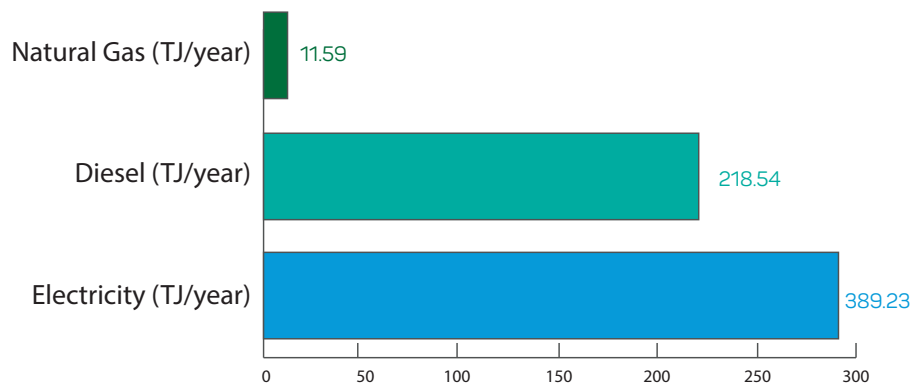
Adif consumes a series of resources it needs to carry out its activities. In its pursuit of good environmental practices, with the support of its Environmental Management System, the Company strives to minimize, to the extent possible, its consumption of the resources it uses in the course of carrying 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

The energy consumed by Adif in the course of its direct activities derives mainly from the use of electricity and diesel (grade B). The latter is used in track maintenance equipment, shunting to workshops and in stations and ancillary terminal services. The Company also consumes natural gas, but to a lesser degree.

ENERGY CONSUMPTION BY FUEL TYPE



Type of energy / fuel	2016	2017	2018
Electricity (TJ/year)	442.82	445.38	389.23
Traction use	39.07	51.82	13.02
Non-traction use	403.75	393.56	376.21
Diesel (TJ/year)	250.55	214.80	218.54
Diesel A – Automotive	60.75	59.89	58.92
Diesel B - Track maintenance	53.46	46.07	39.94
Diesel B - Shunting to workshops	1.11	0.00	0.00
Diesel B - Ancillary terminal operations	5.77	8.13	6.72
Diesel B - Station shunting	99.42	92.15	92.71
Diesel C – Heating	30.04	8.56	20.25
Petrol (TJ/year)	0.41	0.55	0.73
Autogas (TJ/year)	0.0027	0.01	0.00
Natural gas (TJ/year)	15.67	15.93	11.59
TOTAL	709.45	676.67	620.10



In 2018, the Company continued to implement the ADIF 2014-2020 Energy Savings and Efficiency Master Plan, which is the result of the review and update of the prior 2009-2014 Plan. The Plan's objective is to position the Company as a benchmark in energy saving and efficient energy management in the rail sector and in Spain in general.

ADIF ENERGY SAVINGS AND EFFICIENCY MASTER PLAN 2014-2020



By year-end 2018, a total of 417 measures had been implemented since the Plan was first introduced in 2009, tackling the use of energy for both traction and non-traction purposes.

	2016 (GWh/year)	2017 (GWh/year)	2018 (GWh/year)
Traction use	1.06	1.06	1.06
Non-traction use	26.42	26.38	26.63
TOTAL	27.48	27.44	27.69

27.69 GWh-eq./year
of energy savings since 2009

The Energy Savings and Efficiency Master Plan was revised in 2019 to expand its scope to include the effort to combat climate change and add updated targets.

Elsewhere, Adif's indirect energy consumption is attributable to its use of electricity. Below is a summary of Adif's indirect consumption of as a result of its final consumption of electricity broken down by primary energy source:

Sources of primary energy (TJ/year)	2016	2017	2018
Coal	181.44	182.50	159.49
Natural gas	156.53	157.43	137.59
Oil derivatives	72.52	72.90	63.71
Nuclear	323.00	324.91	283.95
Fossil fuels	733.49	737.74	644.74
Hydroelectric	66.16	66.53	58.15
Wind, solar, biomass and waste	189.18	190.25	166.27
Renewable resources	255.34	256.79	224.42
TOTAL	988.83	994.53	869.16

Note: Estimates based on the data regarding the consumption of primary energy in the generation of electricity taken from the latest market report, which dates to the fourth quarter of 2016.

INTENSITY OF FINAL AND PRIMARY ENERGY CONSUMPTION

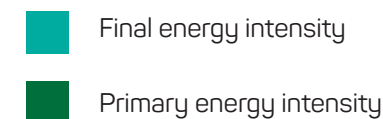
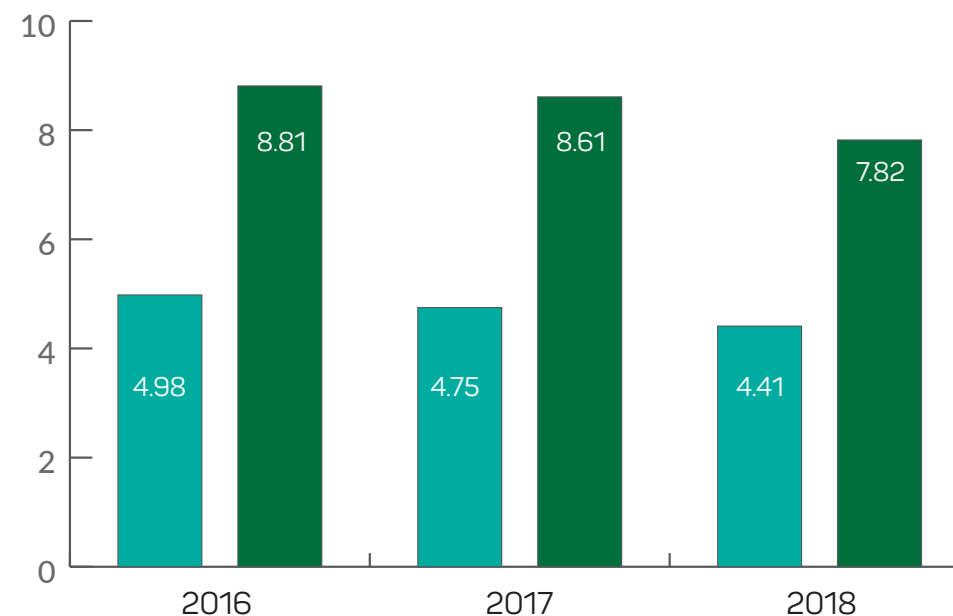
Energy intensity is defined as the consumption of final or primary energy (in MJ consumed) divided by the unit of production most representative of Adif's activities (traffic managed in train kilometers).

These two indicators allow Adif to quantify its energy efficiency and measure its energy consumption dependence in relation to the growth in its activities.

	2016	2017	2018
Train-km under management (train-km/year)	142,563,388	142,308,372	140,580,714
Final energy intensity (MJ/train-km)	4.98	4.75	4.41
Primary energy intensity (MJ/train-km)	8.81	8.61	7.82

Both final and primary energy intensity trended lower between 2016 and 2018. Specifically, final energy intensity declined by 11.4% to 4.41 MJ/train-km in 2018, whereas the volume of traffic managed decreased by just 1.3%. That shows that Adif is making more efficient use of the energy it consumes.

The same trend is on display in primary energy intensity, which decreased by 11.2% over the same timeframe to 7.82 MJ/train-km. That intensity measure is influenced by the contribution by renewable sources of energy to the generation of the electric power distributed by the mainland Spanish grid.

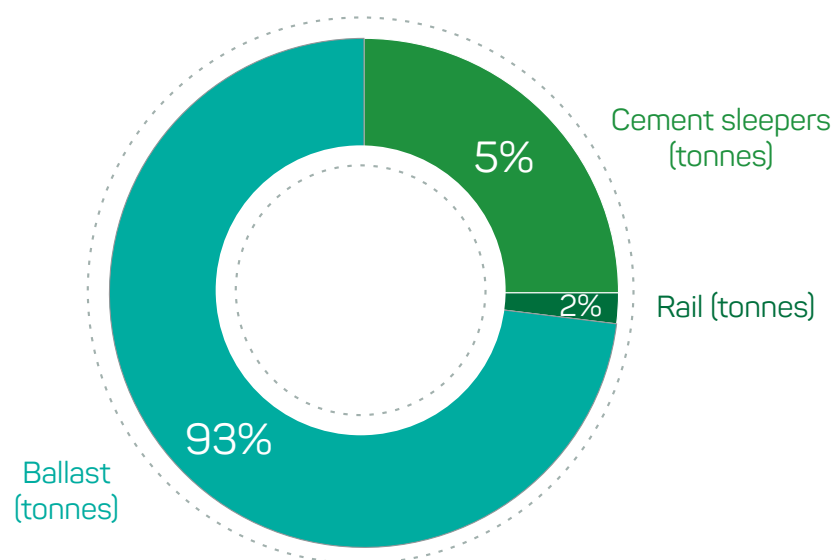


Adif's energy intensity decreased in 2018, implying **more sustainable use of energy** by the Company.

MATERIAL CONSUMPTION IN THE COURSE OF MAINTENANCE OPERATIONS

Material consumption at Adif is mainly concentrated in the rail materials used to maintain the rail network such as sleepers, rail and ballast.

Total rail materials	2016	2017	2018
Rail (tonnes)	201,447	10,622	16,287
Wooden sleepers (tonnes)	1,276	967	1,735
Cement sleepers (tonnes)	31,373	41,458	41,566
Ballast (tonnes)	118,602	742,367	782,032



Material consumption is highly concentrated in the use of **ballast** (93%), followed by **cement sleepers** (which account for 5% of total materials consumed).

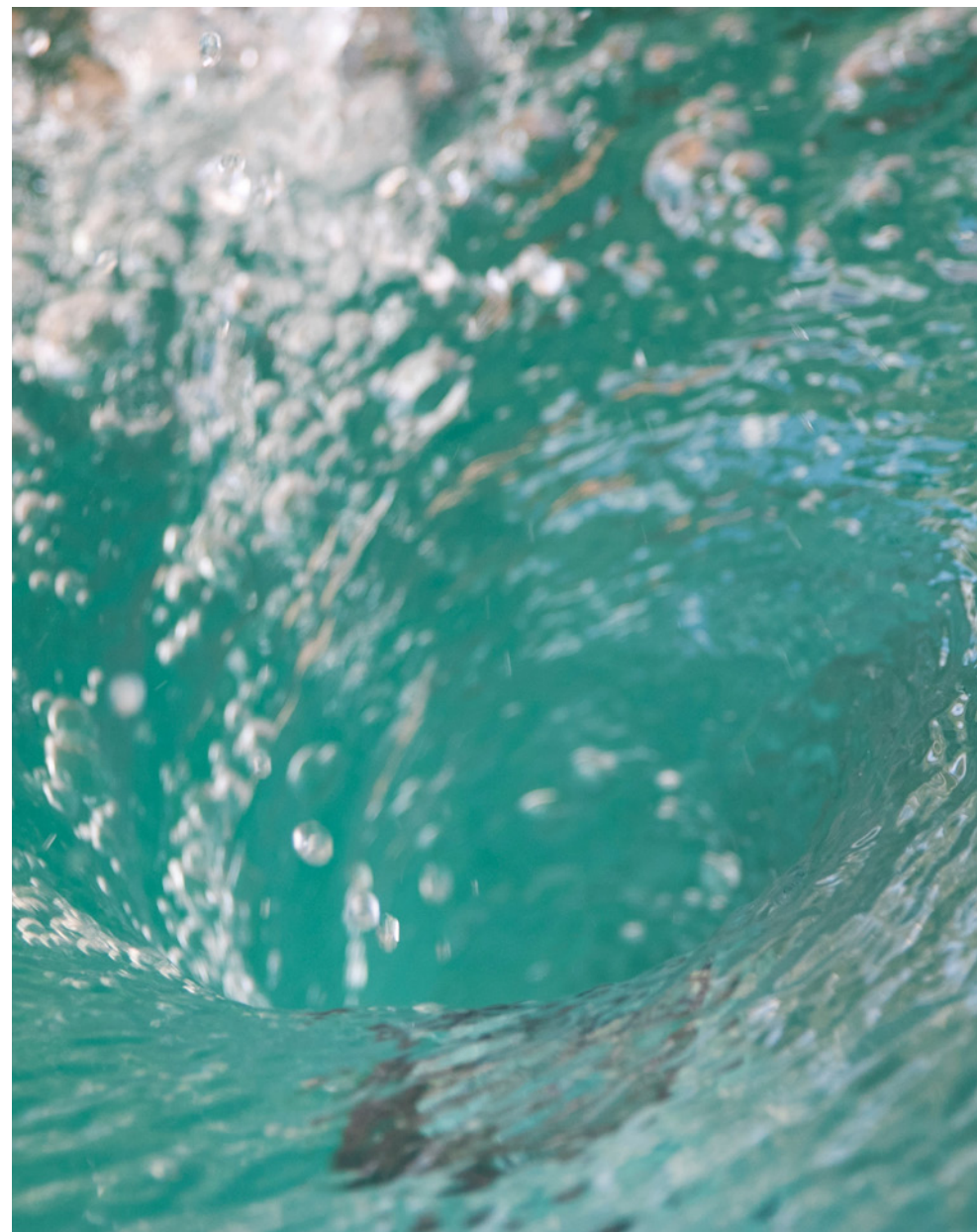
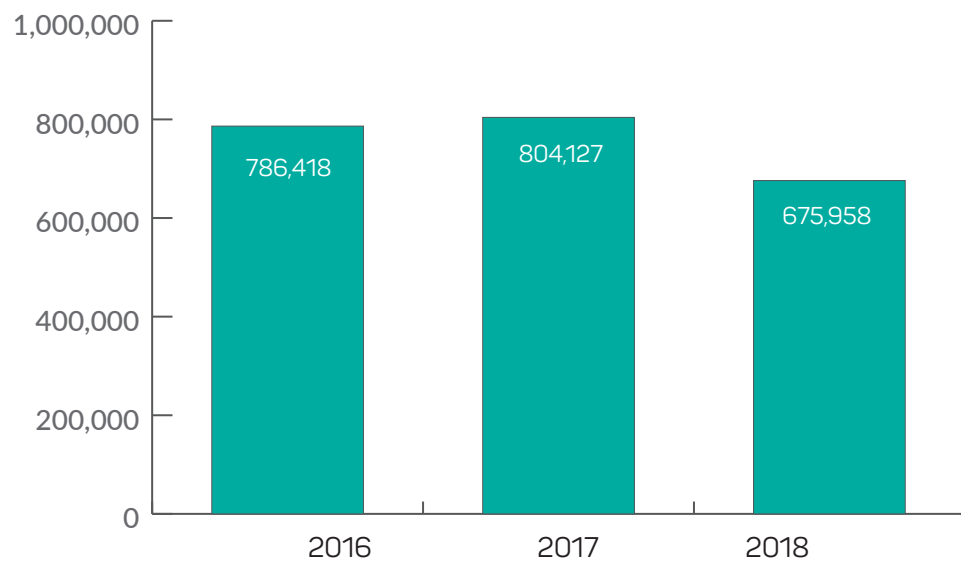
HERBICIDES

Adif 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 2018, the consumption of herbicides per unit of surface area treated declined by 22.6% with respect to 2017.

WATER CONSUMPTION

Adif 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.

Volume of water consumed (m³)



CLIMATE CHANGE POLICY

Adif complies with prevailing legislation with respect to its emissions obligations. In the course of its activities, Adif 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).

EMISSIONS DERIVING FROM ADIF ACTIVITIES

Adif's activities generate emissions, directly and indirectly. 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 categorized into two different scopes:

ADIF'S CARBON FOOTPRINT

Scope 1 GHG emissions

DIRECT GHG EMISSIONS

- Diesel and natural gas boilers
- Traction motor materials
- Equipment for track maintenance, shunting and ancillary operations
- Use of vehicle fleet

Scope 2 GHG emissions

INDIRECT GHG EMISSIONS

Generation of electric power purchased and consumed by Adif.

The following table shows Adif's CO2 equivalent emissions (tCO₂eq./year) for 2016-2018.

		2016	2017	2018
SCOPE 1	Fuel facilities	3,019.14	1,592.00	2,293.14
	Track maintenance, shunting and ancillary operations	11,255.73	10,413.84	9,916.08
	Vehicles	4,503.45	4,315.40	4,258.85
	Total scope 1	18,778.32	16,321.24	16,468.07
SCOPE 2	Electricity consumption	28,540.21	31,985.60	23,696.48
TOTAL (tCO₂eq)		47,318.53	48,306.84	40,164.55



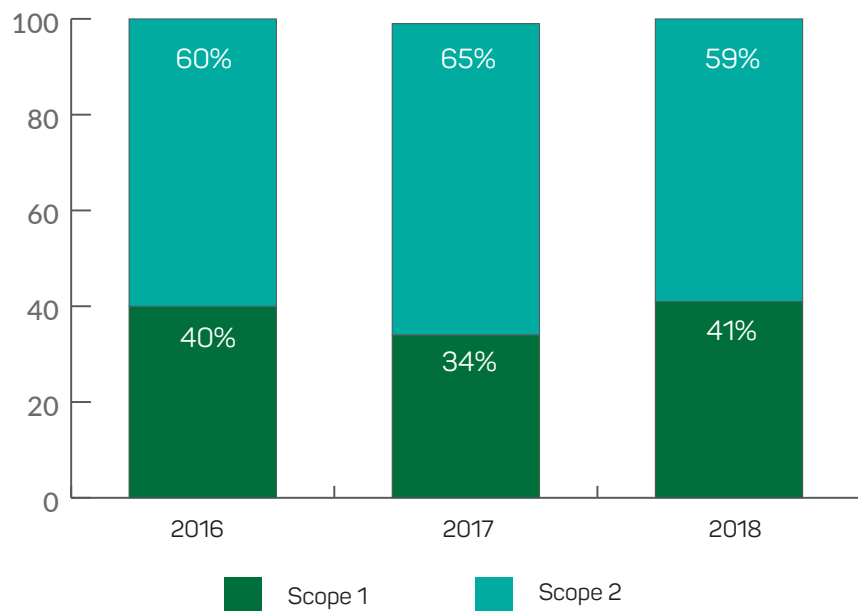
Adif's **carbon footprint decreased** by **16.8%** in 2018

The reduction in its carbon footprint came mainly via Adif's scope 2 emissions and is attributable to two factors: (i) a reduction in electricity consumption; and (ii) a lower CO2 emission factor, due to a higher contribution by renewable energy sources to the mainland power generation mix.

CARBON FOOTPRINT

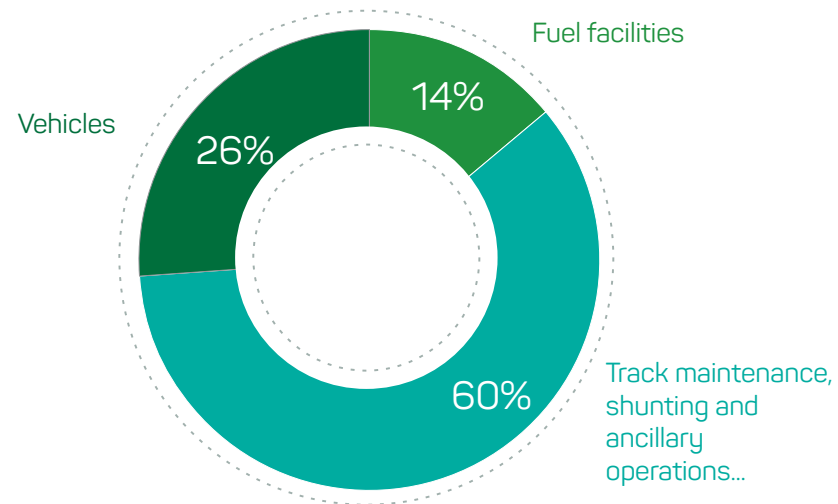


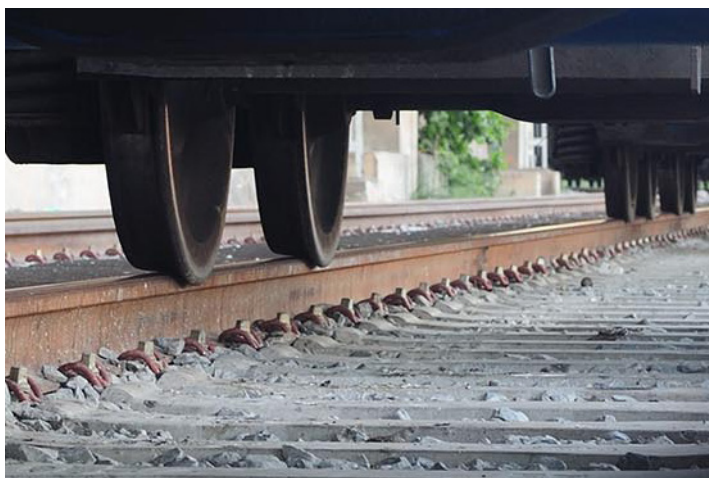
CARBON FOOTPRINT



Elsewhere, the main source of direct GHG emissions is track maintenance, shunting and ancillary service operations (60% of the total), followed by the emissions generated by the use of vehicles (26%).

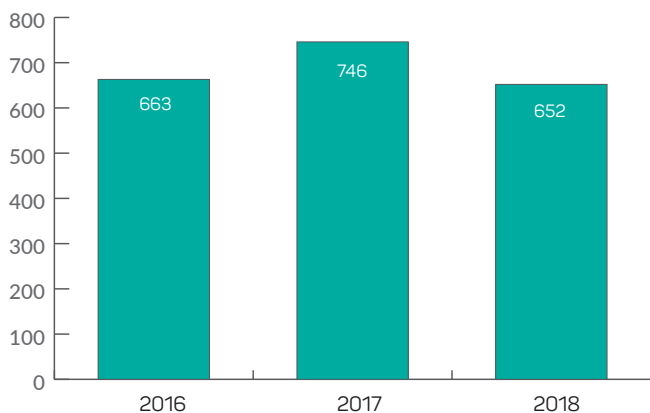
SCOPE 1 ACTIVITIES





GHG EMISSION INTENSITY

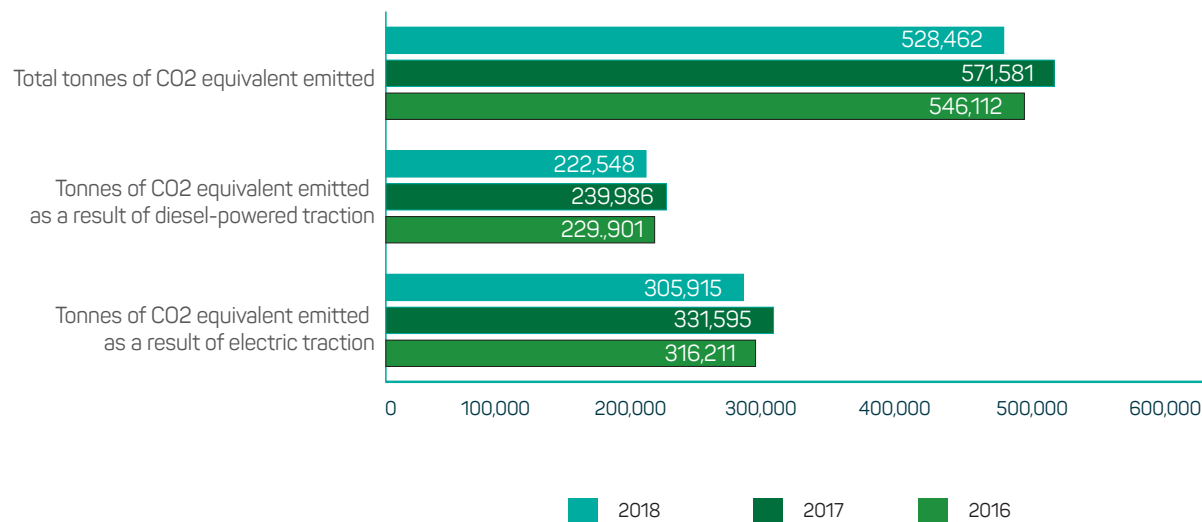
Analyzing emissions in intensity terms, i.e. per representative unit of production (train-km), reveals that GHG emission intensity declined by 15.8% in 2018.



EMISSIONS FROM THE PROVISION OF TRACTION ON INFRASTRUCTURE MANAGED BY ADIF

The energy consumed directly (diesel) and indirectly (electricity) by the rail operators to gain traction over Adif's infrastructure also implies the emission of greenhouse gases.

The trend in those emissions between 2016 and 2018 is shown below.



Emissions generated as a result of electric power traction decreased by 3.3% between 2016 and 2018. These emissions are not generated while the trains are in motion but rather at the power generation stations, which means they are dependent on the mainland power generation grid and the mix of generation technology, which changes annually.

The contribution by renewable energy sources has been increasing in recent years, shaping the reduction in the tCO₂eq./rail traction ratio in 2018.

CLIMATE CHANGE ACTION PLAN

On the climate change mitigation front, as outlined in earlier sections of this report, Adif's 2014-2020 Energy Savings and Efficiency Master Plan is delivering a reduction in Adif's GHG emissions, thanks to the development and implementation of measures that have been delivering steady energy consumption savings since 2009.

On the basis of that Master Plan, leveraging the experience and know-how acquired, in 2018, the 2018-2030 Climate Change Action Plan, which is common to Adif and Adif-AV, was formulated; it will substitute the two entities' 2014-2020 Energy Savings and Efficiency Master Plans.

The idea with this new Action Plan is to move beyond energy efficiency by layering in initiatives related with the decarbonization of the rail system and greater use of renewable energies. Another goal is to make the rail infrastructure more resilient.

LINES OF INITIATIVE UNDER CLIMATE CHANGE ACTION PLAN

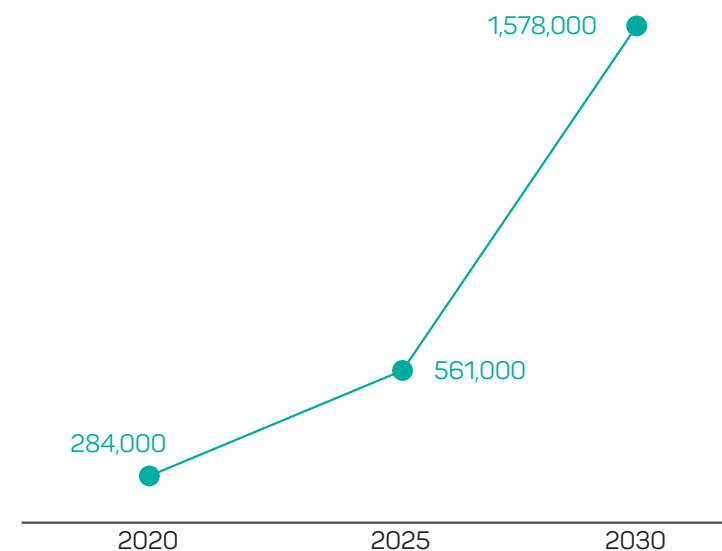
- ENERGY MANAGEMENT
- ENERGY EFFICIENCY
- DECARBONIZATION AND RENEWABLE ENERGIES
- RESILIENCE OF RAIL INFRASTRUCTURE
- CULTURE AND AWARENESS-RAISING

The Action Plan was approved in the first quarter of 2019. It sets specific GHG reduction targets for 2020, 2025 and 2030. Moreover, it is aligned with the 2018-2030 Master Climate Change Action Plan, approved in January 2019, drawn up by Adif, Adif-AV and Renfe with the aim of reducing GHG emissions in the rail system and transport sector as a whole, by means of enhanced energy efficiency and decarbonization, while fostering the switch to rail as mode of transport as the main force for combatting climate change as a result of transportation.

In terms of the reduction in GHG emissions in the transport sector due to the increase in rail's share, the Master Plan estimates an accumulated reduction in emissions of just over 8,000 ktCO_{2eq} by 2030.

The targets set down in this Master Plan are:

REDUCTION IN GHG EMISSIONS INCREASE IN RAIL'S SHARE

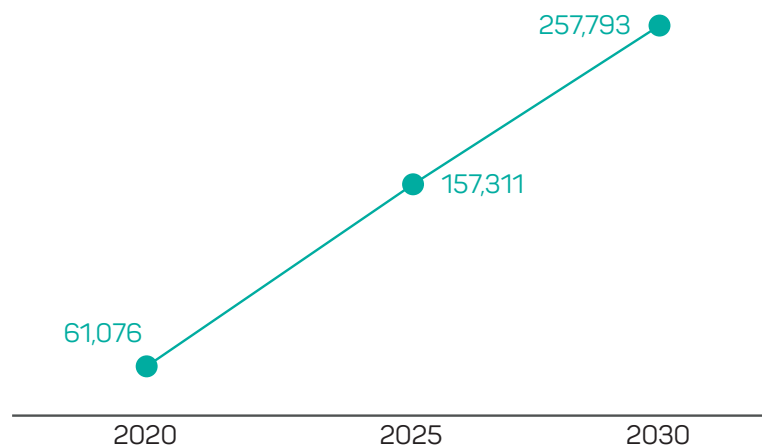


REDUCTION IN GHG EMISSIONS

IMPLEMENTATION OF MANAGEMENT, ENERGY EFFICIENCY AND DECARBONIZATION MEASURES

In addition, in respect of the reduction in GHG emissions in the rail sector due to the implementation of management, energy efficiency and decarbonization measures, the Master Plan estimates an accumulated reduction in emissions of around 1,500 ktCO_{2eq} by 2030.

The specific targets set down in this Master Plan on this front are:



Lastly, via the purchase of certified green power by Adif-AV for the rail system as a whole, a scheme already set in motion in 2019, the Master Plan estimates an accumulated reduction in emissions of around 7,700 ktCO_{2eq} in 2030.

The Adif and Adif-AV **Climate Change Action Plan** is fuelled by the initiatives contemplated in the Master Plan formulated together with Renfe which are applicable to the rail managers, including measures for adapting for climate change itself.

On that last line of initiative, it is worth highlighting that in 2018, Adif and Adif-AV set up a dedicated taskforce whose mission is to elaborate an internal rule setting the methodology to be used to evaluate the vulnerability of the rail infrastructure to the adverse effects of climate change for factoring in at the design stage. 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.

In addition, Adif and Adif-AV participated in the drafting of the so-called “Final report on the sections of the state group transport infrastructure network warranting priority attention on account of climate variability and change”, drawn up by CEDEX (a government public works research center), with the support of the Ministry of Environmental Transition, in June 2018. The analysis compiled for that report has enabled the identification of certain sections of the rail network requiring closer attention on account of their vulnerability to climate change.





NOISE POLLUTION

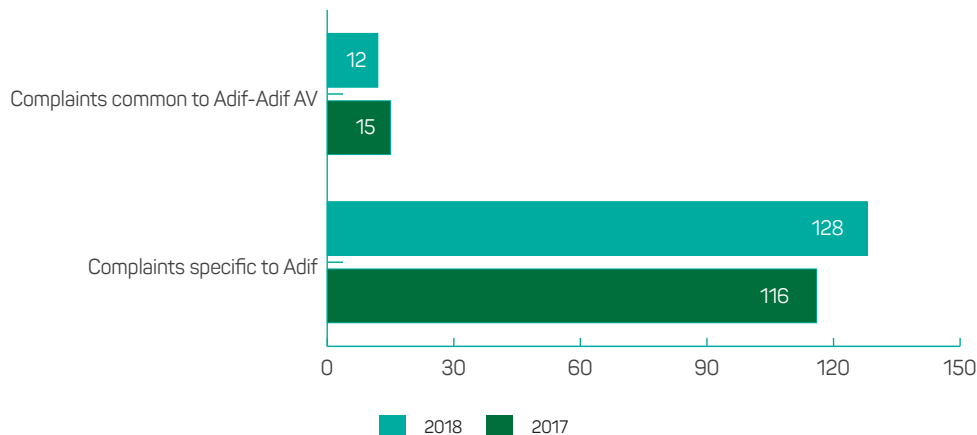
Noise pollution is another of the adverse impacts of Adif's business activities. The emission of noise and vibrations stems primarily from the running of passenger and freight trains.

However, there are other sources of noise and vibration, namely:

- The activities conducted at Adif's passenger stations, such as the public announcement systems, train shunting operations and building temperature control systems.
- The conventional network maintenance operations, primarily as a result of track machining equipment.
- Conventional network construction works.

Adif has a procedure for collecting, documenting and processing complaints related with noise levels, underpinned by its Management System.

TREND IN NOISE - RELATED COMPLAINS



As mandated by the Ministry of Transport and Public Works, Adif 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).

Approximately 90% of the complaints received by Adif are related with noise problems; the remaining 10% are related with vibration issues.



SOIL CONTAMINATION

On the soil contamination front, since 2005, Adif has been taking a series of prevention and remediation measures across its installations in respect of soil potentially contaminated by actions taken in the past. In 2018, it invested €798,192 in soil and underground water decontamination actions at a total of eight sites and in environmental control and observation actions at 18 sites and another two under risk monitoring.

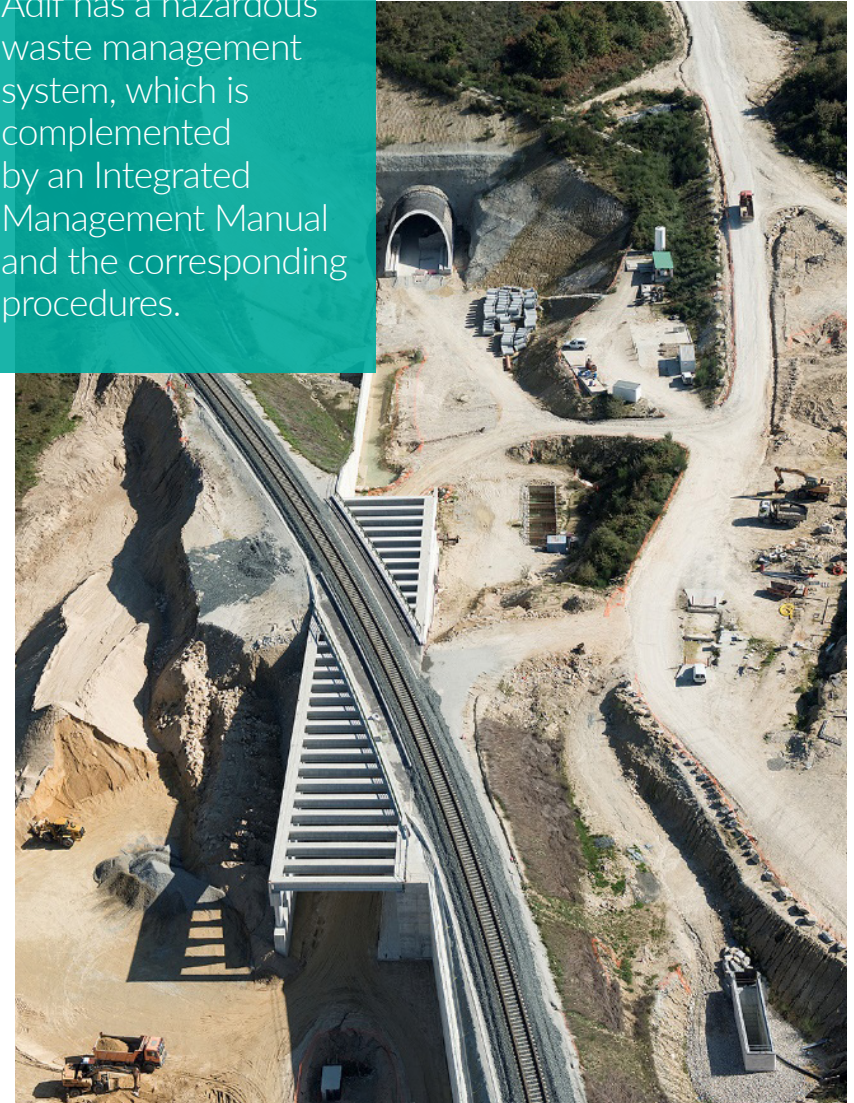
WASTE MANAGEMENT AND CIRCULAR ECONOMY



Adif generates commercial, industrial and hazardous waste, mainly in the course of carrying out its activities at passenger stations and logistics facilities, although also during rail network maintenance activities.

Adif's waste management model is based on two cornerstones: a corporate system and a decentralized system.

Adif has a hazardous waste management system, which is complemented by an Integrated Management Manual and the corresponding procedures.



CORNERSTONES OF WASTE MANAGEMENT AT ADIF

Corporate system

Network of 60 temporary storage centers for transfer to authorized waste handlers.

Decentralized system

Management of hazardous waste directly at points of generation to prevent transfer to transit centers.

In 2018, Adif generated a total of 92.8 tonnes of hazardous waste, most notably magnitude-wise: oil/water separator waste; batteries and accumulators; and electric and electronic equipment waste. Waste generation intensity stands at 650.7kg of waste per million train-km (that calculation does not include PCBS, asbestos or sanitary waste, which are not considered related with Adif's business activities).

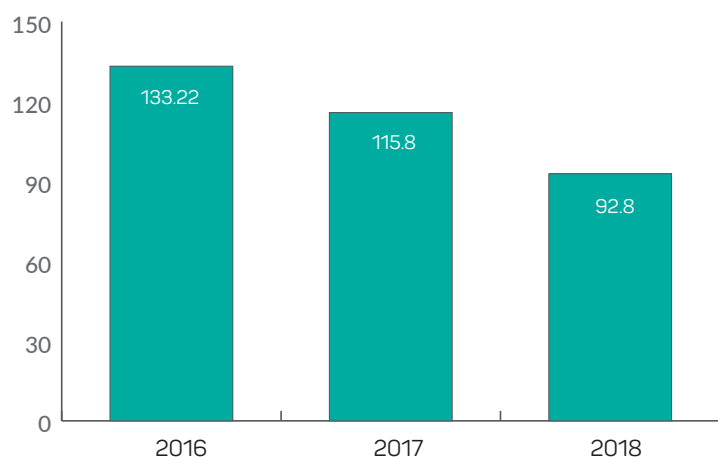
The commercial waste generated originates mainly at passenger stations and logistics centers. That waste is managed by public cleaning services, to which Adif paid €686,667 in 2018.

Adif's non-hazardous waste is managed differently depending on its type:

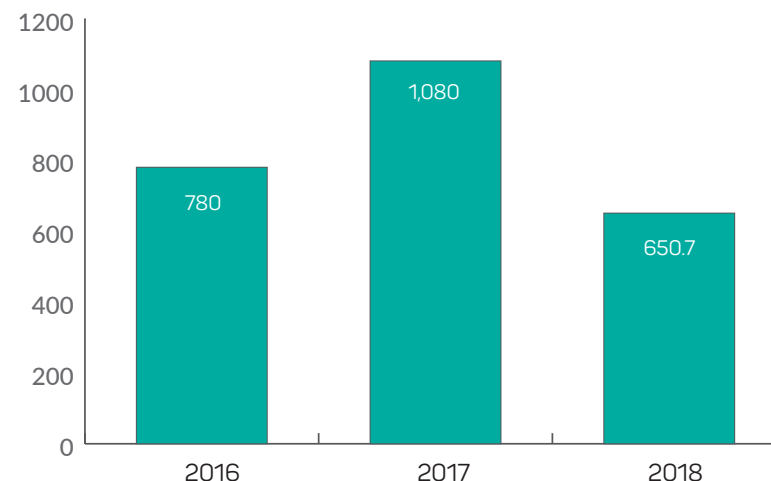
- Rail removed in the course of network maintenance is reused in lower-traffic lines or in slope stabilization work.
- Ballast is disposed of in the vicinity of the facilities.
- Withdrawn cement sleepers are managed by waste handlers, which decide what to do with it.

The most significant volume of wastewater is that deriving from the use of public bathrooms in train stations. At the busier stations, the sanitary waste water 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.

HAZARDOUS WASTE GENERATED DURING INFRASTRUCTURE OPERATION AND MAINTENANCE (TONNES)



HAZARDOUS WASTE GENERATION INTENSITY (TONNES OF WASTE / MILLION TRAIN-KM)





In 2018, Adif prepared **572 environmental oversight reports** for its projects, including **84 environmental alignment reports**.

As part of its environmental management effort, Adif prioritizes biodiversity protection on account of the large expanses of land devoted to the network and facilities managed by Adif. The operational rail network spans 11,991 kilometers in total and occupies an area of approximately 37,894 hectares, implying an area of influence of an estimated 76,422 ha².

Based on 2007 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. The work done to upgrade the Iberian-gauge network is also carried out under the guidelines of an environmental impact statement and is subject to environmental oversight.

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 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.

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, 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 centers and Adif's 24H Network Management Center 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 2018, there were 12 fires along the sides of tracks caused by facility faults or line maintenance work. That figure marks a year-on-year decline of 53%.

	2016	2017	2018
Expenditure on fire prevention (€)	12,410,298	11,927,387	18,426,048
Fires	23	26	12



The number of fires recorded along the sides of tracks in the conventional network **declined by 53%** from 2017.

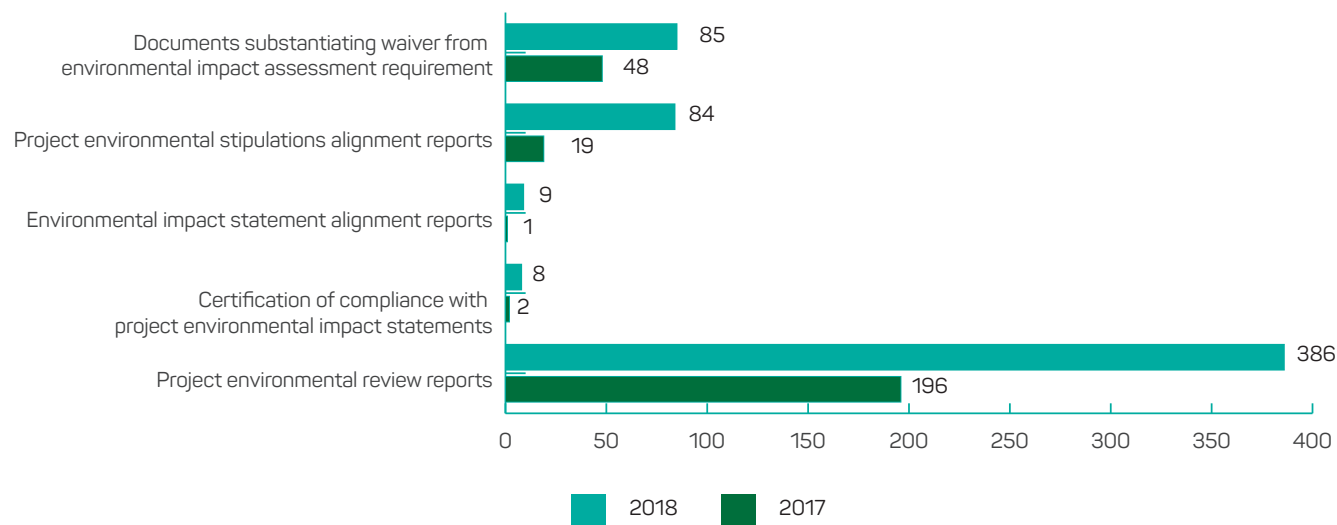
ENVIRONMENTAL MANAGEMENT INDICATORS FOR INFRASTRUCTURE PROJECTS

The Ministry of Transport and Public Works has delegated the power to approve the projects mandated to Adif in the state-owned enterprise's Chairperson's Office. As set down in Adif's bylaws, the Company has to supervise the projects it approves and to certify compliance with the corresponding environmental impact statements or reports, as warranted.

Adif, 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's own internal recommendations.

The trend in the indicators tracking compliance with environmental legislation over the past two years:

COMPLIANCE WITH ENVIRONMENTAL LEGISLATION



AWARENESS-RAISING

In terms of raising awareness about the importance of protecting our natural surroundings, since 1993 (initially Renfe and since 2015 directly), Adif has been refurbishing old tracks owned by it and no longer in use to transform them in the public leisure areas for walkers, cyclists and ramblers. This initiative is framed by the Greenways Program, which fosters a culture of leisure and sport respectful of and associated with nature, while encouraging a non-motorized mode of transport in parallel. This initiative contributes to rural development and the promotion of local tourism in the areas surrounding the tracks, while the rehabilitation work adds value to Adif's properties.

ADIF GREENWAYS PROGRAM

At year-end 2018, there were a total of 105 Adif Greenways nationwide either refurbished or in the process of refurbishment. They span 2,784 kilometers in total, 1,554 kilometres of which are located in nature protection areas.

For more information on the Greenways: www.viasverdes.com

EXTENSION OF ADIF'S GREENWAYS

2016	2017	2018
1,359.4	1,488	1,554.2



5.6.

The team

For Adif, 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.

In 2018, people management at Adif was marked by an important change in the organizational structure, which was approved by the Spanish Cabinet in June and meant the appointment of Isabel Pardo de Vera Posada as Adif's new Chairwoman, as well as the establishment of a new basic structure.

The organizational structure of Adif's corporate departments was also approved in 2018, assigning certain of the duties vested in the Company to each. The newly rolled out structure is designed to respond to the sustainability challenges facing the Spanish rail system. The main guiding criteria are people, efficiency, transparency and sustainability; the operational areas are articulated around specialization and objectives, at all times framed by safety and strategic planning. The overall aim is to be able to adapt the Company's objectives and resources to evolving circumstances more effectively, thus helping to attain the targets set.

PUBLIC EMPLOYMENT TENDER

In 2018, Adif published the Public Employment Tender corresponding to 2017, along with the extraordinary Public Employment Tender approved in 2018. In total, it received 11,297 applications, 9,556 of which were accepted.

The purpose of the call was to fill a total of 486 vacancies in different areas and at different levels.



EMPLOYEES

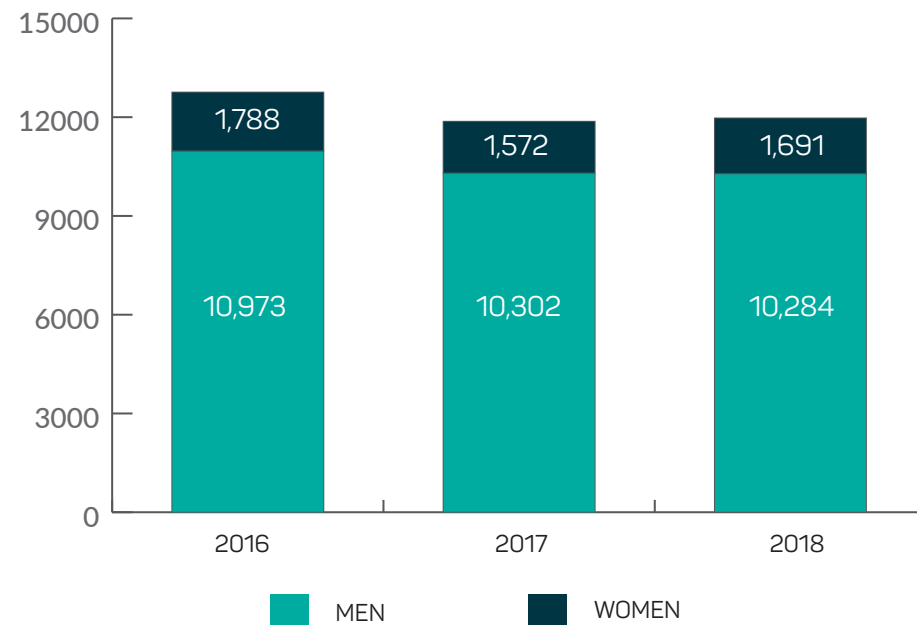


As set down explicitly in its strategic objectives, people management is a core aspect of the Company's activity. Adif believes that its employees' satisfaction, productivity, talent and engagement is key to delivery of the Mission, Vision and Values defined in its 2020TP. At year-end 2018, Adif had 11,975 employees, broken down as follows:

Management level	Men	Women	Total
Chairwoman's Office	26	13	39
Communication and Corporate Reputation Dep.	33	36	69
Corporate Strategy and Transformation Dep.	465	152	617
General Secretariat	78	82	160
Corporate People Management Department	298	140	438
Corporate Finance and Control Department	118	100	218
Corporate Operations and Construction Dep.	7,696	749	8,445
Corporate Business Development Department	1,426	403	1,829
Network	144	16	160
TOTAL	10,284	1,691	11,975

The trend in the headcount by gender during the last three years is as follows:

TREND IN HEADCOUNT BY GENDER



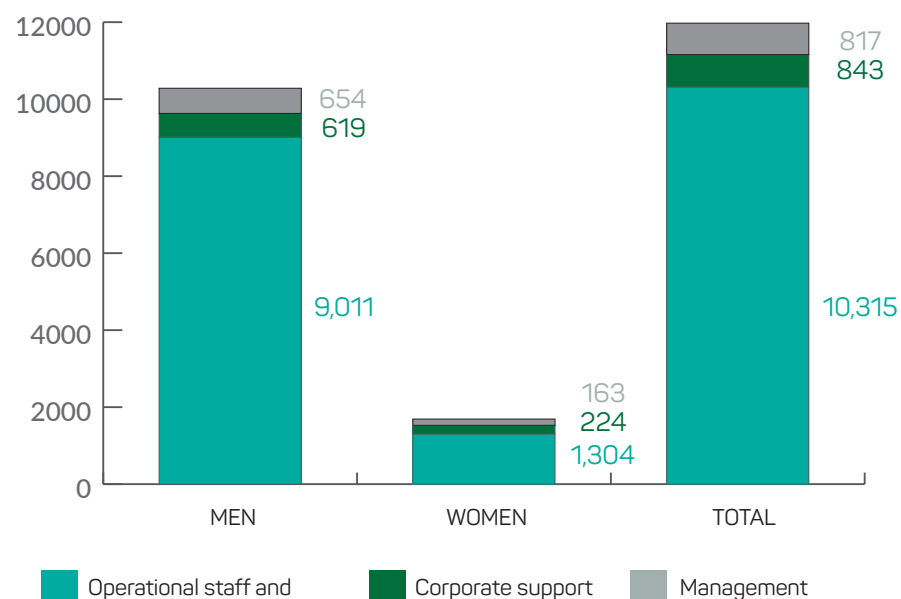
In 2018, Adif's workforce was made up of **11,975 employees**, 101 more than in 2017.

96.5% of Adif's employees are on **indefinite contracts** and **99.8%** work **full time**.



The breakdown of the headcount by job category is provided below:

BREAKDOWN OF HEADCOUNT BY JOB CATEGORY



Around 86.1% of the headcount is represented by operational staff and middle managers, while 13.9% are in the corporate support areas and management.

Female representation stands at 14.1%, up nearly one percentage point from 2017.

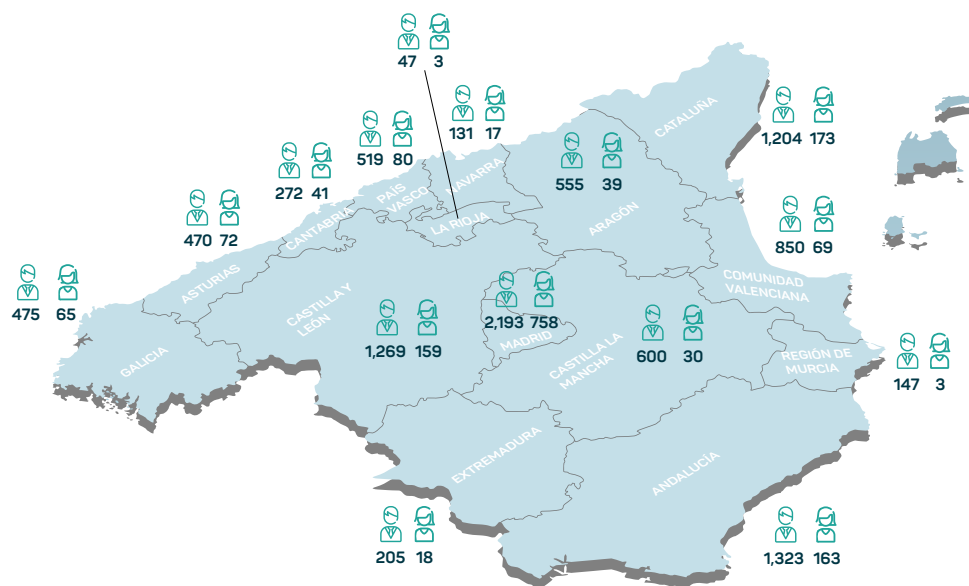
By age and length of service, the headcount breaks down as follows:

Age	Men	Women	Total
Up to 35 years	4.23%	1.57%	5.8%
Between 36 and 50 years	10.33%	3.89%	14.2%
Over 50 years	71.32%	8.66%	80%

Seniority	Men	Women	Total
Between 0 and 11 years	11.51%	4.46%	15.97%
Between 12 and 19 years	2.32%	1.15%	3.47%
Between 20 and 27 years	1.80%	0.37%	2.18%
Between 28 and 35 years	29.28%	2.52%	31.81%
Over 35 years	71.32%	8.66%	46.57%

ADIF EMPLOYEES GEOGRAPHICAL DISTRIBUTION

Adif's employees are located throughout mainland Spain. In addition, at year-end 2018, 25 employees (24 men and one woman) were working abroad.



EMPLOYEES BREAKDOWN BY CONTRACT TYPE

Adif favors and fosters stable, quality employment. Thanks to that commitment, nearly the entire workforce has a fixed and full-time contract. The breakdown of the headcount by contract type and by gender, age and job category:

Breakdown by contract type

2018

Indefinite	11,561
Temporary	414
Part time	805
TOTAL	11,975

Gender	Indefinite	Temporary	Part time	TOTAL
Men	9,997	287	657	10,284
Women	1,564	127	148	1,691
TOTAL	11,561	414	805	11,975

Age	Indefinite	Temporary	Part time	TOTAL
Up to 35 years	441	252	130	693
Between 36 and 50 years	1,559	145	259	1,704
Over 50 years	9,561	17	416	9,578
TOTAL	11,561	414	805	11,975

Job category	Indefinite	Temporary	Part time	TOTAL
Management	816	1	577	817
Corporate support	837	6	198	843
Middle management	2,638	85	23	2,723
Operational	7,270	322	7	7,592
TOTAL	11,561	414	805	11,975

AVERAGE REMUNERATION BY JOB CATEGORY AND GENDER

In 2018, Adif paid the following average remuneration by job category and gender:

Management	Average salary	Gender pay gap*
Women	61,328.32	2.78%
Men	63,088.36	
Corporate support	Average salary	Gender pay gap*
Women	44,774.14	2.05%
Men	45,742.41	
Middle management	Average salary	Gender pay gap*
Women	34,585.43	3.43%
Men	35,815.18	
Operational	Average salary	Gender pay gap*
Women	28,146.00	15.1%
Men	33,143.13	

(*) Calculated as:
$$\frac{\text{Average remuneration of men} - \text{Average remuneration of women}}{\text{Average remuneration of men}} \times 100$$

AVERAGE REMUNERATION BY AGE CATEGORY

	Hombres	Mujeres
Up to 35 years	32,221.30	30,461.76
Between 36 and 50 years	37,421.81	38,585.39
Over 50 years	36,659.30	34,590.33

The labor legislation and pay tables applied by Adif 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.

The directors' remuneration is directly proportionate to their attendance at board meetings. They are entitled to €1,047.57 per meeting attended, irrespective of gender. Therefore, considering that each director can attend up to 11 meetings a year, their maximum annual remuneration is €11,523.

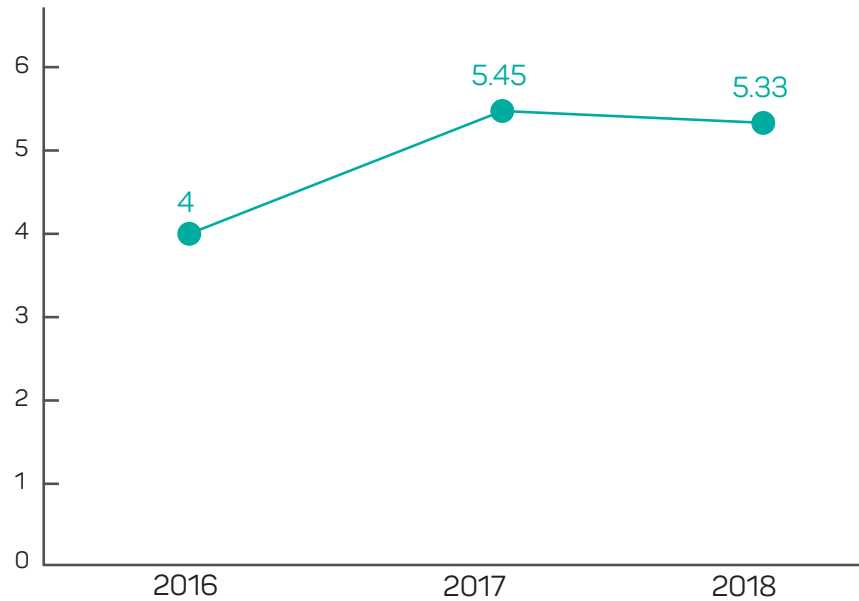
Elsewhere, one employee was let go in 2018. Lastly, 2.36% of Adif's headcount, or 282 employees, presented some form of disability in 2018.

ORGANIZATION 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 2018, absenteeism, measured as the percentage of absences over the theoretic number of working days, was 5.33% (138,047 hours), which was down 0.12% from 2017. The trend in absenteeism during the last three years is shown below:

ABSENTEEISM RATE (%)



INCENTIVES AND COMPANY BENEFITS

In addition to variable remuneration based on delivery by employees of certain objectives (group-wide personal objectives related to contributions to the team and skills catalog), Adif offers the employees covered by the collective bargaining agreement a broad spectrum of in-kind benefits designed to improve their personal and work lives, such as:

- Health promotion: medical check-ups; preventative medicine; assistance with extraordinary medical expenses; vaccination drives; top-up of social security payments in the event of temporary disability; assistance with fighting drug addiction, alcoholism, 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.

EMPLOYEES BREAKDOWN BY CONTRACT TYPE

In addition to the measures itemized above, since execution of the first collective bargaining agreement of Adif and Adif-AV, the aid regime for employees with children with an intellectual disability and aid for certain medical expenses have improved considerably.

Note, lastly, that 100% of employees availing of maternity and paternity leave have taken up their original jobs at the end of their leave.

	Men	Women
Employees availing of maternity leave	4	54
Employees availing of paternity leave	91	--
TOTAL		149



MANAGEMENT-EMPLOYEE RELATIONS

Adif engages with its employees by means of regular meetings between management and the various committees and other employee representation bodies with decision-making powers:

- **General Works Committee:** based in Madrid, this body debates and negotiates the handling of matters of a general nature and others specific to the collective bargaining process.
- **General Safety and Health Committee:** It is the highest-level participatory body in the prevention of occupational risks related task, from which specific guidelines emanate and to which other safety and health committees are linked.
- **General Workplace Health and Safety Committee:** this is the highest management-employee body in the health and safety arena; it is the source of the guidelines that are binding upon the lower-level health and safety committees.
- **Traffic Safety Committees:** consultation bodies that deal with technical aspects related with traffic safety; they also approve plans and track specific indices.
- **Training Advisory Board:** this body was set up to formulate and monitor Adif and 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. A new regime covering ex-gratia aid was introduced in 2017, modifying some of the items paid. The employees' representatives were presented with the situation analysis conducted by the Company, which is a mandatory step in the process of formulating the new Equality Plan.
- **Labor Conflicts 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 first Adif & Adif-AV collective bargaining agreement regulates labor relations at Adif. Although it was initially due to terminate on December 31, 2017, it was later extended (as duly authorized by the Joint Committee, the Negotiating Committee and the government) to December 31, 2018.

A preliminary version of that agreement was already signed in 2018. The new agreement will cover more extensive workplace health and safety measures.



93.19 % of Adif and Adif-AV employees are covered by the collective bargaining agreement.

The **second Adif & Adif-AV collective bargaining agreement** will be signed in 2019 and will remain in effect until December 31, 2023.

WORKPLACE HEALTH AND SAFETY

As stipulated in article 16 of Spanish Law 31/1995, on occupational safety, Adif has a dedicated Workplace Health and Safety Plan.

WORKPLACE HEALTH & SAFETY PLAN



Adif draws up plans for its accident prevention effort annually with different objectives:

OBJECTIVES OF THE HEALTH AND SAFETY PLANNING EFFORT

WORK CONDITIONS	SAFETY IN ALL LEVELS	COMMITMENT	PREVENTIVE HABITS
Continuous improvement of work conditions	Integration of health and safety criteria across all activities and at all levels	Organization-wide commitment to the safety management system	Encouraging employees to adopt preventive habits

The main lines of initiative pursued on the health and safety front in 2018 were:

- **Workplace safety training:** 54,004 hours of training, compared to a planned 55,406, implying a compliance ratio of 97.47%.
- **Organization of expert seminars:** Four were organized in total.
- **Internal audit program:** 18 scheduled audits were carried out.
- **The audit required to renew certification of the Occupational Health and Safety Management System under OHSAS 18001:2017** was carried out. As was the Company's target, Adif's OHSMS certificate was renewed (case no. 1996/0204/SST/07) and expanded in scope to cover Adif's Corporate Traffic Safety Department.
- **Consolidation and reinforcement of the culture of prevention:** eight specific actions were undertaken in 2018 with the aim of consolidating the organization's commitment to its OHSAS.
- **Health controls:** Health check-ups and psychophysical tests. In 2018, Adif conducted 2,949 check-ups and 4,698 psychophysical tests. It also carried out 3,784 medical campaigns and gave 1,070 vaccinations.

In 2018, Adif recorded a total of 267 lost-time injuries, 205 of which were commuting accidents; 44 were non-commuting accidents and 14 were relapses. There were no fatalities. There were four serious accidents (2017: 6), of which three were non-trauma accidents; the other entailed a collision with mobile objects. Two incidences of work-related illness were recorded: one of carpal tunnel syndrome and one of epicondylitis.

		Injuries	Commuting accidents	Relapses	Work-related illnesses	Common illnesses	
2016	Total	Lost time	253	71	15	0	126
		No lost time	344	68	--	0	
2017	Total	Lost time	241	73	17	1	133
		No lost time	269	61	--	2	
2018	Men	Lost time	188	34	13	2	133
		No lost time	248	28	0	0	
2018	Women	Lost time	17	14	1	0	14
		No lost time	20	20	0	0	
2018	Total	Lost time	205	48	14	2	147
		No lost time	268	47	0	0	

The recordable incident rate declined from 2017 to 17.06 (target of 20.56 for 2018). The injury severity rate also decreased, to 0.53, which is below the target of 0.66.

		2016	2017	2018
Injury severity rate*	Men	0.63	0.63	0.59
	Women	0.31	0.35	0.16
	Total	0.61	0.55	0.53
Injury frequency rate**	Men	12.60	12.50	11.04
	Women	5.23	9.24	6.65
	Total	11.56	11.83	10.37
Workplace accident rate. Recordable incident rate (no. of lost-time injuries & commuting injuries*1,000) / average no. of workers	Men	21.65	20.98	18.16
	Women	8.39	14.05	10.25
	Total	19.72	19.69	17.06

(*) The severity index is calculated as: (no. of days lost / no. of hours worked)/1,000

(**) The frequency index is calculated as: (no. of injuries / no. of hours worked)*1,000,000



Elsewhere, the number of days lost per workplace accident or work-related illness declined in 2017.

	2016	2017	2018
Days lost per workplace accident or work-related illness			
Men	12,571	10,387	10,132
Women	877	897	402
TOTAL	13,448	11,284	10,534

Lastly, Adif has workplace health and safety committees in its various work centers. When those committees meet, the workers' representatives and the Company's own representatives debate a range of topics related with occupational health and safety. 318 such meetings took place in 2018.

TRAINING

Adif 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.

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.

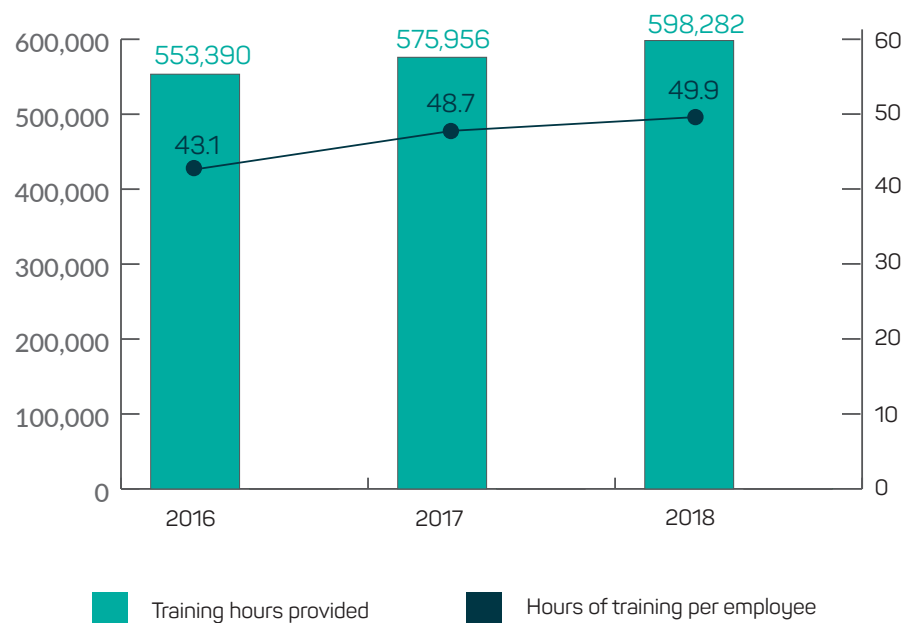
The Annual Training Plan carried out in 2018 implied an average 49.9 hours of training per employees, or 598,282 hours in total. The training programs were articulated around the specific skills requirements in each business, framed at all times by the Company's Mission, Vision and Values. Training, materials and support tools were provided on the amendments to the Rail Traffic Regulations, which affect all employees with any kind of traffic safety certification, 6,584 workers in total.



In 2018, employees received **1.2 hours more training hours** on average than in 2017 (**22,326 hours more**).



TREND IN TRAINING HOURS



Job category

Training hours

Operating personnel	371,675
Middle management	119,289
Corporate support	57,501
Management	49,817
TOTAL	598,282

Adif invested **€3,719,453 in training** in 2018.

To manage the Training Plan efficiently, Adif 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, video-conferencing and teletraining. Around 40% 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.

TALENT MANAGEMENT AND CAREER DEVELOPMENT

Adif's staff selection processes are regulated in labor legislation for the employees covered by the collective bargaining agreement. In 2018, it hired 40 new employees pursuant to the corresponding Public Employment Tenders.



The **employee turnover rate** declined to 4.05 in 2018; among the executive ranks it was 3.17, which was a year-on-year increase.

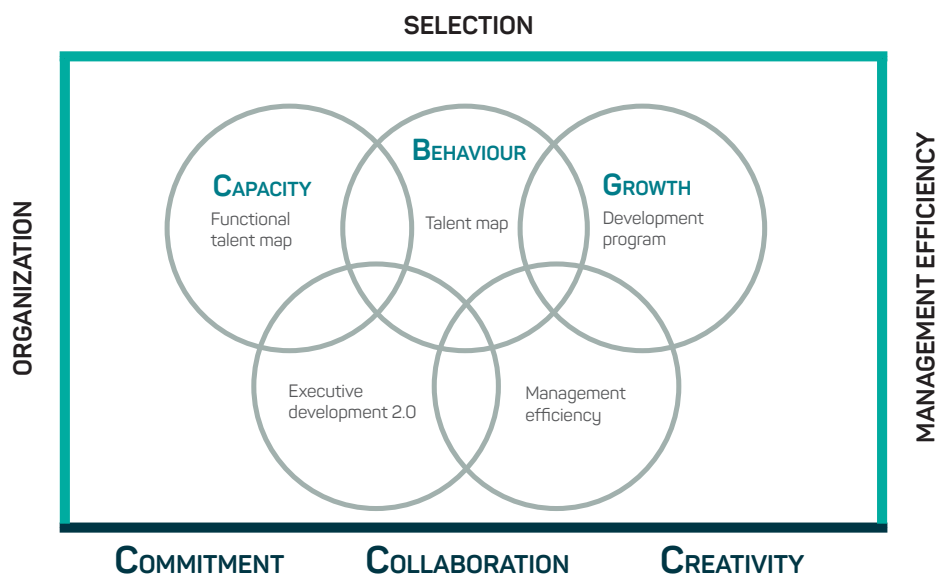
Adif's business success depends mainly on its employees' performance, which in turn depends directly on their satisfaction and motivation. To achieve employee satisfaction and motivation, the role of the organization's leaders is very important: 3C Executive Management is the methodology that articulates 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's Mission, Vision and Values), Collaboration (as the priority force for improvement) and Creativity (to question and rethink existing paradigms).



THE LEADERSHIP MODEL: 3C EXECUTIVE MANAGEMENT

Since its creation in 2013, a myriad of projects and activities have been undertaken under the umbrella of the program. 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.



The **Leadership Model: 3C Executive Management** is designed to boost the organization's leaders' performance..

SKILLS MANAGEMENT MODEL - DIGITAL TRANSFORMATION

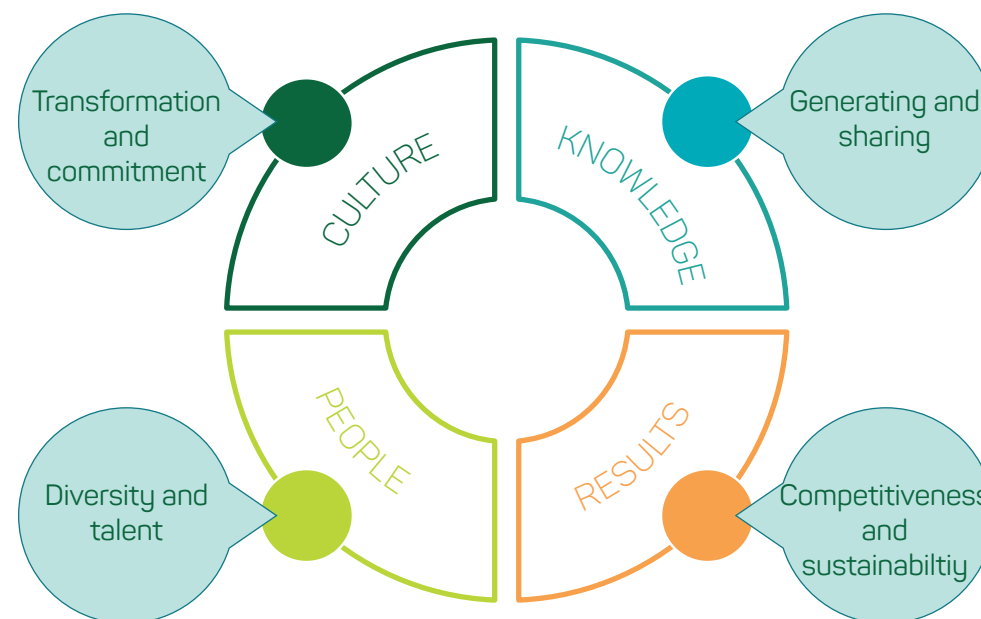
In 2018, Adif continued to deploy the Skills Management Model - Digital Transformation, launched by the Human Resources Department in 2016 in order to align the skills in its catalog with those demanded in the new era of digital transformation.

SKILLS CATALOG DIGITAL TRANSFORMATION

In 2016, Adif revised its skills catalog, 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 catalog, in effect since 2018, 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 the paradigm of permanent and ever faster transformation we are witnessing.



360° PERFORMANCE ASSESSMENT EXERCISE



The Skills Catalog - Digital Transformation dictated the 360° performance assessment exercise in 2018 (as in 2017). The 360° performance assessment model offers a range of perspectives (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 2018, **Adif's average performance assessment score** was **85.18%** and was based on the evaluation of **703 employees**, which is almost 6% of the workforce.

MANAGEMENT BY OBJECTIVES MODEL



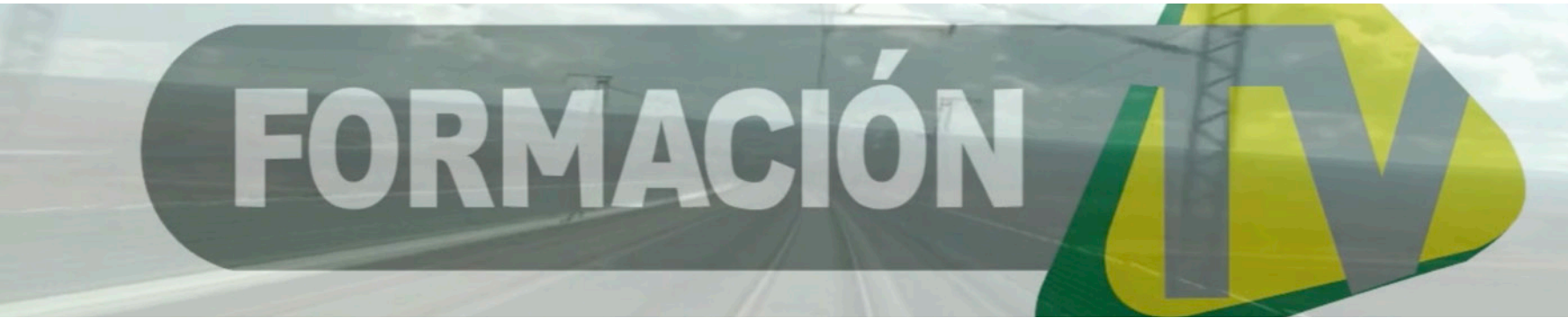
Elsewhere, in 2018, Adif also continued to apply the Management by Objectives Model, which, underpinned by three cornerstones (transparency, consistency and facilitation), contributes to the development and deployment of the Company's cross-cutting and area-specific objectives by the professionals covered by the Objectives System. The end goal is to get the Company's professionals more engaged with its key strategic 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.

In 2018, the level of delivery of Adif's objectives was **98.10%**, having evaluated a total of **4,349 individuals**, which is **36% of the workforce**.



As a result of the above performance assessment exercise and Management by Objectives Model, the Company undertook the following noteworthy objectives:

- Further progress on implementation of the Executive Development Community (part of the Connect 3.0 platform), which generates proprietary content related with skills development and encourages the exchange of know-how and collective intelligence across the organization.
- Ongoing publication of the monthly newsletter received by all members of the community by email which includes the latest blog news. By year-end 2018, Adif had published 65 editions of the newsletter, underpinned by over 400 blog entries and nearly 200 shared files.



98.10% of those evaluated under the Management by Objectives Model attained the targets set for them.

In keeping with the results of the performance evaluation exercise, in 2018 Adif also continued to enhance its 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.

	SUCCESSFUL EXPERIENCIES 6 SEASONS	IN FIRST PERSON 5 SEASONS	THE EXECUTIVE MANAGEMENT CLUB 4 SEASONS	MY DAY IN ADIF 3 SEASONS	SUCCESS BILLBOARD 4 SEASONS
Definición	Professional circumstances or events experienced by the protagonists that produced successful results (2013)	The management processes told by its protagonists (2014)	Humor in a monologue format as a persuasion tool (2015)	Put face to the daily activity. A channel designed to universalize protagonists (2016)	the showcase, located in the corporate intranet, which announces the premieres of the different channels of the site Formación TV (2015)
Videos	193	36	30	27	503
Visits	48,766	4,350	6,321	6,155	95,194
Comments	3,999	124	809	230	6,958
"Likes"	6,584	106	940	342	10,752
Average Rating	4.47 / 5	4.50 / 5	4.59 / 5	4.53 / 5	4.48 / 5

NOTEWORTHY PROGRAMS

Lastly, in 2018, Adif pursued certain other noteworthy programs, including:

COACHING IN PAIRS

Innovative talent development practice designed to reinforce learning among colleagues, on the basis of collaboration, trust and cross-fertilization, helping to unlock management experience and skills.

That program dates back to 2015 and currently boasts eight in-house coaches, with another 43 in training. In 2018, the coaching program was certified by the Spanish association of executive and organizational coaching, AECOP for its acronym in Spanish.



LEAVING A MARK

2018 marked the conclusion of the first edition of the "Leaving a Mark" program, in which the organization'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).

PEOPLE WHO CHANGE THE COMPANY

This program aims to pinpoint emerging trends, framed by the 2020 Transformation Plan, and reflect on the impact of those trends on our area of influence and expertise, by fostering close relationships between the program participants. The business areas select who participates in the initiative, favoring the younger executives.

Conferences take place monthly and are recorded to facilitate the transfer of knowledge; the various participants work as a team in the way a think tank works, detecting personal skills, organizational and social trends.

The program's profile was raised in 2018 by giving its participants greater responsibility in selecting, preparing and presenting the monthly conferences.

Adif has always demonstrated its interest in and commitment to participating in and undertaking initiatives in support of gender equality in the workplace, this being a stalwart principle of its people management effort.

Indeed, Adif's first collective bargaining agreement marked a milestone in this respect by specifically addressing key issues such 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 organization's first Equality Plan.

That first Equality Plan was approved unanimously by the Company and all of the unions represented on the Equality Committee in March 2010 and has since been incorporated into Adif's second collective bargaining agreement. Throughout the Plan's application, the Social Policy and Equality Committee has been analyzing a series of pertinent indicators.

The **second Adif Equality Plan** and the first Adif-AV Equality Plan are expected to be approved in 2019, clearly evidencing the two entities' firm commitment in this field.



In June 2014, Adif became a member of the '**Companies for a society free of domestic violence**' campaign, alongside Spain's other leading state-owned companies (AENA, ICO, Renfe, Correos and Loterías y Apuestas del Estado).

WORK-LIFE BALANCE MEASURES

As for work-life balance, the Equality Plan establishes the related initiatives created for and offered to Adif employees.

Adif offers employees covered by the collective bargaining agreement work-life balance measures grouped into five categories:

GENERAL

- **Common-law partners:** common-law partners are afforded the same rights as married couples, regardless of their sexual orientation.
- **Flexible working hours:** 1-hour's margin around workday start times and between a 1 and 3 three-hour break in the middle of the day.
- **Shorter working hours:** up to three paid personal days (same terms of application and grant as remunerated leave).
- **Part-time arrangements.**
- **Remunerated leave:** marriage (15 working days); family death (2-6 days); obligation to fulfil an unavoidable public and personal duty; unspecified personal affairs (three days per working year).
- **Unpaid leave:** between 6 and 90 days per calendar year.
- **Holidays:** 35 calendar days plus public holidays.
- **Voluntary leaves of absence:** between 4 months and 5 years.
- **Geographic mobility:** to reunite with a spouse or common-law partner or temporary move for medical or family reasons.

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; 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.
- **Leave to take care of a family member** - kinship up to the second degree of consanguinity or affinity.

PROTECTION AGAINST GENDER 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 provided by Adif.

All of the work-life balance measures on offer at Adif 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 2018, Adif participated in a number of initiatives in favor of women at work and gender equality:



'WALLS THAT SPEAK' CAMPAIGN

Sponsored by the Women's Foundation to raise awareness of the reality faced by the children of fatal victims of domestic violence, telling the stories of the families that take care of them and the children themselves. Adif is displaying four panels in several stations equipped with bone conduction technology so that their stories can be heard by pressing an ear to the panel.



PHOTOGRAPHY EXHIBITION

Sample of black and white photographs taken by advertising photographer Nacho Pardo for the MUM Foundation (MUM stands for women against abuse in Spanish). The exhibition forms a conceptual trip through domestic violence and showcases, symbolically, the various classes of abuse, the cycles of violence and the alternatives available for surviving it.

In addition, the new Chairwoman of Adif and Adif-AV, Isabel Pardo de Vera, participated in a number of events in 2018 designed to contribute to fostering gender equality in society:



- An event at a secondary school in Pozuelo de Alarcón, Madrid, to encourage STEM studies.
- The STEM & Retail Innovation Forum: addressing topics such as the scarcity of talent in STEM, the jobs in greatest demand and the current state of and most pressing challenges facing the sector.
- Roundtable event as part of the Women NOW initiative (at the Reina Sofía Museum) titled: Women & Work: Is it still a man's world?

'FEMALE EMPLOYMENT IN THE RAIL SECTOR IN EUROPE'

Lastly in this arena, in 2019, Adif will participate in the survey, 'Female employment in the rail sector in Europe', spearheaded by the Community of European Railway and Infrastructure Companies (CER) and the European Rail Workers' Federation (ETF). The goal is to benchmark Adif against other rail sector players in terms of equality, thus fostering continuous improvement.

In addition to championing gender equality, Adif 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 vent of workplace harassment.**

5.7.

Customer orientation

Adif 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 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.

CUSTOMER SATISFACTION

Adif 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 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 gathers feedback using different methods and uses it to establish mechanisms for improving the service it provides:

PASSENGERS

In 2018, Adif published the results of its **Perceived Quality survey**, capturing feedback from passenger station users. The survey revealed a score of 7.62 out of 10 with respect to perceived station quality, and 7.3 out of 10 with respect to freight transport.

Adif uses that feedback to continuously improve different aspects of its stations with the aim of offering passengers better service standards. Specifically, it is working to improve station accessibility, remodel and waterproof certain stations, improve customer communications using the DIALOG service and develop an app for notifying customers of station incidents.

RAIL OPERATORS

- **Regular contact:** Adif 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:** the last survey conducted in 2018 yielded a score of 7.07 out of 10.
- **Dedicated email address for every station:** with respect to services provided.
- **Quantitative survey targeted at merchants located in the stations using the Vialia trademark and station stores;** filled out by the merchants using a mobile- and tablet-friendly app.
- **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.

COMPLAINTS



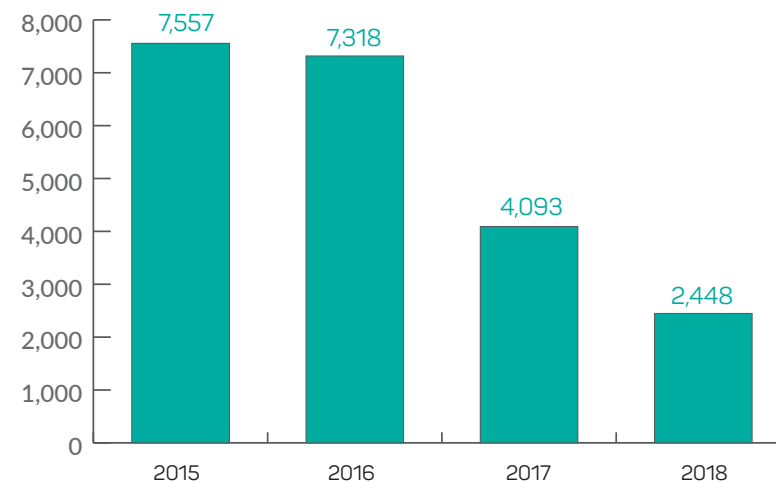
Adif runs a grievances and suggestions service which facilitates communication with customers and helps it to understand their expectations and detect areas where management can be improved, while establishing a protocol for the correct handling of any incidents. It uses a dedicated IT tool to manage all cases. 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 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.

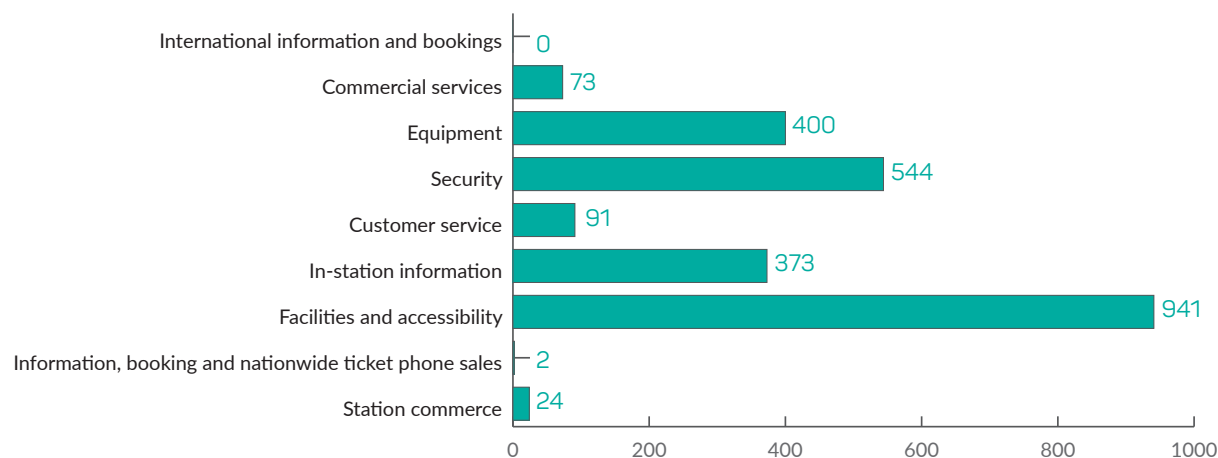
In 2018, 2,448 complaints corresponding to Adif and Adif-AV stations were resolved. The entities also received 185 suggestions and 45 notes of congratulation. This information is enabling Adif to identify potential areas for improvement in a bid to boost customer satisfaction.

The number of **complaints decreased by 40.2%** year-on-year in 2018. The complaints were most commonly related with the state of facilities and accessibility.

COMPLAINTS RECEIVED IN PASSENGER STATIONS

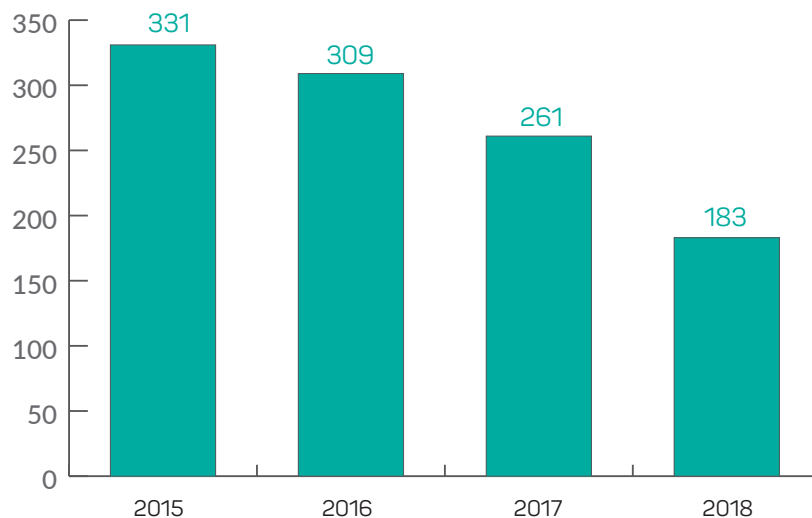


COMPLAINTS RECEIVED BY TOPIC



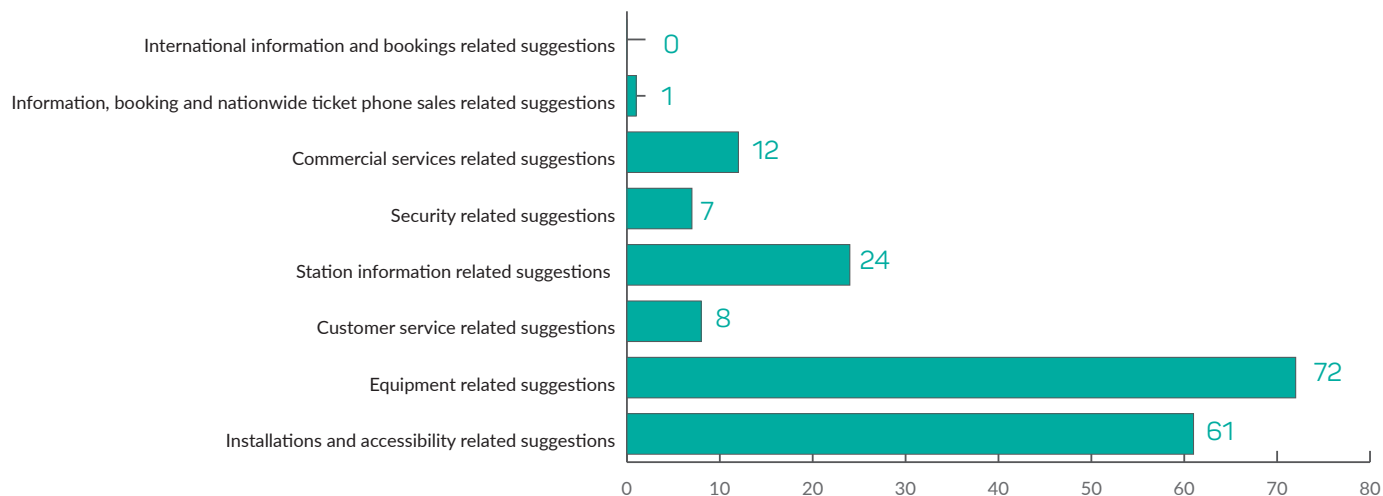
SUGGESTIONS

SUGGESTIONS RECEIVED IN PASSENGER STATIONS



The total number of suggestions received at the stations owned by Adif and Adif-AV **decreased by 29.1%** year-on-year in 2018, with facilities and accessibility similarly the topics garnering the highest number of suggestions.

SUGGESTIONS RECEIVED BY TOPIC



ACCESSIBILITY

Adif's strategic objective of social cohesion encompasses all the improvements contemplated on the station accessibility front. Indeed, accessibility is a top priority social challenge at Adif. The goal is to gradually improve accessibility at the stations we manage, eliminating any barriers that could imply discrimination in the use of rail transport.

To that end, Adif, Adif-AV and Renfe are working jointly on a **Rail System Accessibility Master Plan** with the aim of developing a model articulated around short-, medium- and long-term objectives (2019-2028) in order to frame the initiatives pursued on the accessibility improvement front, specifically ensuring that the system as a whole is accessible and does not pose any barriers for persons with disabilities, considering the travel process end-to-end.

A mixed Adif-RENFE taskforce has been set up, made up of professionals from both entities, to draft the document in question over the coming months. The starting point is Renfe's 2019-2023 End-to-End Accessibility Plan and the initiatives already planned by Adif for the coming years. That Plan comprises three phases:

- **Phase 1 - Legal:** development in stations with more than 750 passengers a year and provincial capitals and in their station-train systems (arrival at the station, transit, getting on and off the train and while on the train, transit, leaving the station).
- **Phase 2 - Deployment:** gradual rollout in stations with fewer than 750 passengers a year. To be carried out as a function of available resource.
- **Phase 3 - Continuity and intensification:** the complete journey cycle with initiatives targeted at educating and raising public awareness (communication and information channels before and after travel).





Also in 2018, Adif continued to collaborate with organizations that represent persons with disabilities such as the State Confederation of Deaf People (CNSE for its acronym in Spanish) or the Spanish Committee of Representatives of Persons with Disabilities (CERMI). These collaborations are essential to better meeting real needs.

Adif has a service for people with hearing impairment called DIALOG, which is designed to facilitate communication and provide them with station service updates. DIALOG consists primarily of a service video using sign language in the Customer Service Offices and an in-station public announcement service which comes up in text on the information screens. The information screens are used to announce the most important incidents, emergency situations and other messages of a general nature in sign language. There is also a phone information service and a text message service.

Adif is keenly aware that a lot has still to be done in the accessibility arena. Nevertheless, in 2018, 83.70% of passengers used accessible stations with accessible routes managed by Adif and Adif-AV.

	2016	2017	2018
% of passengers using stations with accessible routes managed by Adif / Adif-AV *	80.08%	81.21%	83.70%

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

In 2018, the **DIALOG service was available at 20 stations**: Alicante, A Coruña, Albacete Los Llanos, Barcelona Sants, Ciudad Real, Córdoba, Cuenca Fernando Zóbel, Gijón, Girona, León, Madrid Chamartín, Madrid Puerta de Atocha, Málaga María Zambrano, Ourense, Oviedo, Santiago de Compostela, Sevilla Santa Justa, Valencia Joaquín Sorolla, Valladolid Campo Grande and Vigo Guixar.

Adif's corporate website (www.adif.es) itemizes the stations whose services and facilities have been adapted for the deaf and hard of hearing.

5.8.

Community commitment



Adif 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 Adif has 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.

OPEN STATION PROGRAM

The Open Station Program is a Company-wide program. It is the catalyst for Adif's community work and the main instrument for formalizing its engagement with the third sector. Adif offers the third sector an excellent platform (every year over 150 million people pass through Adif'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.

Collaborations with non-profit organizations are governed by an internal work procedure ("General Procedure for Donating Station Space"). That procedure makes sure requests for the use of space receive standardized 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 organizations more agile and transparent.

The Open Station Program contributes, via its activities, to materialization of Adif's community work goals and the **UN's Sustainable.**

Framed by the 2020 Transformation Plan, specifically within the Sustainability strategic pillar, Adif has set itself the target of **contributing to social cohesion**. That objective is formulated as follows: **“Providing an accessible public service and helping to make a difference in local communities and to vulnerable segments of the population”**.

SOCIAL COHESION

The initiatives undertaken under the umbrella of the Open Station Program are strategically targeted at defined priority groups. The 2020TP strategic target of “Social Cohesion” includes two key performance indicators related with the Open Station Program:

Education, culture and values: number of people impacted (beneficiaries and participants) by education.

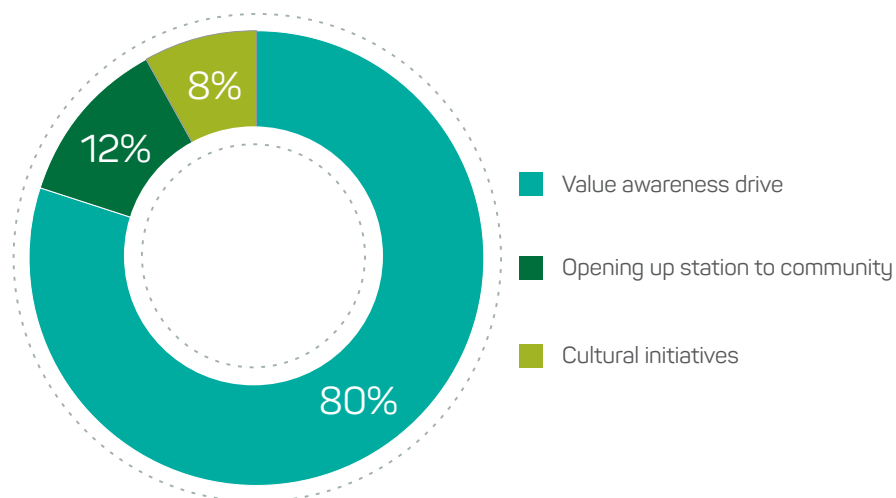
Charity drives: direct economic return generated on fund-raising and membership drives. In 2018, that return was €379,120 (up from €299,930 in 2017).

The number of activities performed in 2018 increased by 25% year-on-year to 413 initiatives in 68 different stations, reaching an estimated audience of 2.02 million people. The number of entities undertaking initiatives in Adif-run stations similarly trended higher. In 2018, Adif collaborated with 105 organizations (associations, foundations, city councils, public agencies and ministries), up 28% from the 82 entities it worked with in 2017. Adif’s indirect contribution to the Open Station Program, expressed in terms of loss of profit, amounted to €580,425 in 2018, down 3% from 2017.



The **number of activities and entities** with which Adif collaborated increased in 2018, while the Company's **'loss of profit' declined** slightly.

OPEN STATION PROGRAM 2018



Adif's Open Station Program is articulated around three lines of initiative:

- **Station outreach** - information initiatives and efforts to engage with citizens.
- **Value awareness drives.**
- **Culture** - artistic expression by up-and-coming artists, concerts, exhibitions, etc.

All of the entities to which Adif 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.

The 2018 assessments yielded very similar results to those of 2017. The score given to the assistance provided by the stations remains high, at 9.19, while the score for the outcome of the initiative as a whole was a very good 8.8 out of 10. In 2018, the Company went to lengths to get a high percentage of organizations to fill out this feedback form, as is evident in the fact that 92% of the entities Adif collaborated with did so.

Some of the entities have voluntarily shared the direct return obtained on the activities conducted under the Open Station Program. The economic return reported by the participating entities amounted to €17,324 (down €846 from 2017). The trend in the number of new members signed up was very different: 3,015 in 2018, 667 more than in 2017.



In 2018, the NGOs Adif collaborated with signed up **3,015 members** during the activities carried out under the Open Station Program, marking **growth of 22.1%**.

ASSET MANAGEMENT AND INTEGRATION

Adif and Adif-AV manage the real estate assets they own with the ultimate aim of having a positive impact on the surrounding communities, generating shared value that benefits all of society. In that manner, the companies contribute to the sustainable development of the rail system and its integration in the cities it passes through, in keeping with the policies set by the competent institutions.

Adif took the following significant actions in 2018:

Agreements with other governments and organizations

Rail integration agreements in Basauri, Leon and Madrid-Delicias. It also participated in negotiating the urban integration agreements in the cities of Almansa, Cadiz, Canfranc, Caspe, Miranda de Ebro y Santiago de Compostela. Lastly, it collaborated on the drafting of 15 draft agreements (including those for Hospitalet, Langreo, Ourense, Santander and Vigo).

Town planning

Around 300 town planning reports, suggestions and/or claims were issues and/or presented to different planning authorities. Notably: The special plan for upgrading the existing rail infrastructure and facilitating urban use of the site located on Paseo de la Castellana 69 (Madrid-Azca); Town Plan of Alcorcon; Town Plan of Bilbao.

Public tender and disposal of real estate assets

180 properties were auctioned in keeping with the Government Property Act; 78 were adjudicated to buyers.

Property leases

A total of 1,125 lease agreements were arranged, including new agreements and protocols modifying pre-existing agreements.

Government concessions and permits

A total of 1,523 public domain occupancy cases were processed.



NEW NORTH MADRID

On September 19, 2018, the Secretary General of Infrastructure provisionally approved the “Informative study of the new rail complex at Madrid's Chamartin station” and resolved to start the corresponding public information and consultation process. One day later, the Madrid City Government gave its initial approval to modification of the Madrid City Plan in accordance.

GREENWAY AGREEMENTS



Lastly, it is worth highlighting the fact that in 2018, six greenway agreements were executed; five for new greenways and one for the extension of an existing belt. In total the new agreements cover 62.48 kilometers of new greenways.

Greenways	Closed line	Km
Santiago - Cerceda Greenway (Oroso)	Zamora - La Coruña	5.80
Redondela - Vigo Greenway (Redondela)	Monforte - Vigo	1.60
Santiago - Cerceda Greenway (Santiago)	Zamora - La Coruña	11.50
Redondela - Vigo Greenway (Vigo)	Monforte - Vigo	3.60
Altiplano Granadino Greenway	Lorca - Baza and Baza - Guadix	37.47
Protocol for the extension of the Bureba Greenway (Alfoz de Quintanadueñas)	Burgos - Caminreal (Calatayud - Ciudad Dosante)	2.52
NEW GREENWAYS - TOTAL KM		62.48

URBAN INTEGRATION JVs

Adif and Adif-AV participate in a number of different urban integration joint ventures, created to contribute to integration of the rail system in the various cities. Adif oversees and monitors the financial performance of each of its subsidiaries and investees and the coordination, control and monitoring tasks associated with the work done on the city integration front (on occasion, articulated through joint ventures).

The main activities performed by the Urban Integration JVs in which Adif is an investor:

Alicante Transport Node

Drafting of an addendum modifying the agreement of 2003, currently being processed.

Almería Alta Velocidad S.A.

- Proposal by Adif-AV for the execution of an interim phase before full burying with the ground level tracks and station platforms.
- Start of integration work in El Puche and tendering of the works for the Río Andarax-El Puche platform.

Barcelona Sagrera Alta Velocitat

- Resumption of the works on the station structure and accesses thereto.
- Adjudication in October 2018 of lot #FR-05 in the area of Sant Andreu for €10.44 million.

Bilbao Ría 2000

- Adjudication, in June 2018, of the Garellano and Barakaldo lots, for €50.3 and €12.40 million, respectively.
- Execution, in December 2018, of the agreement to terminate the collaboration agreement between the town council of Basauri, Adif and Adif-AV for urban regeneration in Pozokoetxe, San Fausto and Bidebieta.

Cartagena Alta Velocidad S.A.

Drafting of a viability study in relation to the alternative presented by the city council for comparison and analysis with respect to the other proposals presented at the board meeting in May 2018.

Gijón Al Norte S.A.

Execution of a new rail integration agreement for the city, as agreed by the board of directors on May 7, 2018.

Logroño Integración del Ferrocarril, S.A.

Adjudication of the works at the Vara del Rey roundabout; continuation of the works at the bus station and work on the new electric substation in La Portalada.

Murcia Alta Velocidad S.A.

Continued execution of the phase 0 works and tendering of the phases 1 and 2 works.

Palencia Alta Velocidad S.A.

- Drafting of a new agreement between Adif-AV and Adif for the lease of the station car park and a new agreement between Adif-AV and Palencia city council for its management.
- Holding of technical meetings to design a viable city integration solution.

Valencia Parque Central S.A.

- Start of the drafting of a new framework agreement between Adif-AV and Adif for the lease of a station car park.
- Informative study on the Pasante Tunnel.
- Completion and opening to the public of the Central Park development.

Valladolid Alta Velocidad 2003, S.A.

- Execution of an agreement for the completion of the Eastern Diversion and phase two of the rail complex.
- Resumption of works on the Eastern Diversion Platform works.

Vitoria-Gasteizko Abiadura Handia, S.A.

Definition of a viable city integration solution that makes use of the existing rail pathway.

Zaragoza

Disposal of the M2 Block within the G44 plan.



5.9.

Supplier management

Suppliers are an essential part of Adif's business development. The Company bases its supplier relations on guaranteeing transparent contracting 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's contracts have the following legal regime:

- Contracts whose monetary value exceeds the thresholds for the harmonized rules stipulated in article 16 of Law 31/2007, on contracting procedures in the water, energy, transport and postal services sectors, are governed, in respect of their drafting and adjudication, by the said Law 31/2017 and in respect of their effectiveness and termination, by private contracting law.
- According to additional provision eight of Law 9/2017, contracts whose monetary value is less than the above thresholds are governed, in general terms, in respect of their preparation and adjudication, by the non-harmonized contract rules stipulated in the said Law 9/2017 in respect of non-government contracting authorities and by private law in respect of their effectiveness and termination.

RESPONSIBLE PUBLIC PURCHASING

The challenge faced by Adif is to make sure that its public contracting 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 contracting: competition, freedom of access; transparency; non-discrimination and equal treatment.

To that end, each time it puts a tender out to call, Adif runs a supplier selection process in which they must certify their business and technical expertise and solvency, as well as certain social and environmental criteria, which are determined individually for each supplier approval. When contracting, the supplier approval and evaluation 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 harmonized rules) and articles 21 to 31 of Law 31/2007 (for Adif-AV contracts 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 body in the corresponding procurement documents and are made known to the bidders before they have to 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 60 to 62 of Law 31/2007 (for contracts of an estimated amount equal to or more than the thresholds stipulated in article 16 thereof).

CATALOG OF SOCIAL AND ENVIRONMENTAL CLAUSES

As a result of the new Public Sector Contracting Act, specifically article 1.3 thereof, establishing the compulsory requirement to embed social and environmental into all public contracts, Adif is working on the formulation of a Catalog of Social and Environmental Clauses to be included at the various stages of the contracting 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 applicable by way of assessment criteria for use during the contractor selection process.
- Special execution terms to be considered during the contract execution phase.

In parallel, with the aim of enriching the work underway, Adif 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 catalog.

As a result of this effort, Adif has defined the social and environmental criteria it will use to assess the suppliers that bid in its procurement processes. The social criteria are more cross-cutting whereas the environmental criteria are more closely related to the nature of what is being purchased:

- **Social criteria:** equality; work-life balance; hiring of persons with disabilities; hiring of persons at risk of exclusion/particularly vulnerable groups; contract types and job stability; workplace health and safety measures; pay and labor conditions; collective bargaining agreements; training; corporate social responsibility' transparency; and good tax practices.
- **Environmental criteria:** waste and emissions; environmental management system; works contracts; cleaning services; safety services; consultancy and engineering services; maintenance services; vehicle fleet services; energy supply; other material supplies.



Adif and Adif-AVs' contracting procedures are **controlled by numerous institutions**, including the General State Controller (IGAE for its acronym in Spanish) and the Court of Audit.

6

ABOUT

About this report
and the GRI standards

ABOUT

THIS REPORT AND THE GRI STANDARDS



6.1. Scope

Adif has been preparing a Sustainability Report since 2006. In the 2018 report, Adif provides an account of its commitments and performance along financial and non-financial dimensions between January 1 and December 31, 2018.

The scope of the report encompasses Adif's activities in the countries it does business in. Most of the information included in the report corresponds to Adif alone, but in some cases the Company reports indicators that include the information corresponding to Adif-AV, as it does not have separate data for certain aspects of management.

6.2. International standards

This report was drawn up with reference to the standards laid out in the Global Reporting Initiative's sustainability reporting guidelines - the GRI Standards. The in-accordance option is the Core option. Adif selected the material topics to be addressed on the basis of the new materiality assessment conducted in 2019, which is outlined in section 3.1 of this report.

This report was also drawn up in keeping with the requirements stipulated in Spanish Law 11/2018 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.

Lastly, the contents of this report have also been aligned with the Sustainable Development Goals.



ABOUT

THIS REPORT AND THE GRI STANDARDS



6.3. Materiality assessment

The materiality analysis and the related updating process are described in section **3.1 Business strategy**.

6.4. External analysis

Global Compact Network Spain, as part of its commitment to sustainable development, has analyzed the sustainability reports of ADIF and ADIF AV for the year 2018 based on the Making the Connection - Using GRI's Guidelines to Create a COP methodology, with the objective of detecting strengths and areas for improvement both in the level of transparency of the entities, and in the level of implementation of each of the four blocks of the United Nations Global Compact; as well as measuring the level of integration of the Sustainable Development Goals (SDGs) within the organization.

In the first part of the analysis, the **level of transparency of the company** is evaluated based on the principles of elaboration of reports established by GRI Standards 101: fundamentals. In a second part, the **level of implementation of the Ten Principles of the Global Compact** is evaluated according to the implementation of the related GRIs and their correlation with the GRI Standards. Finally, an analysis of the **level of reporting of the Sustainable Development Goals** has been carried out following the five steps of the "SDG Compass".



7

GRI

GRI indicators



GRI indicator	Reference (page #)
102-1 Name of the organization	8
102-2 Activities, brands, products, and services	11-13
102-3 Location of headquarters	c/ Sor Ángela de la Cruz, 3 -3º 28020-Madrid
102-4 Location of operations	11
102-5 Ownership and legal form	169
102-6 Markets served	11-13
102-7 Scale of the organization	93-108
102-8 Information on employees and other workers	131-135
102-9 Supply chain	166-167
102-10 Significant changes to the organization and its supply chain	In the period covered by the report there have not been significant changes in the organization. Significant changes in the organization are communicated in the corresponding notice periods specified in the agreement.
102-11 Precautionary principle or approach	111
102-12 External initiatives	159-161
102-13 Membership of associations	80-83
102-14 Statement from senior decision-makers	4
102-16 Values, principles, standards, and norms of behavior	10
102-18 Governance structure	56-63
102-40 List of stakeholder groups	77-79

GRI indicator		Reference (page #)
102-41	Collective bargaining agreements	138
102-42	Identifying and selecting stakeholders	30
102-43	Approach to stakeholder engagement	33
102-44	Key topics and concerns raised	35-39
102-45	Entities included in the consolidated financial statements	169
102-46	Definition of report content and topic boundaries	169
102-47	List of material topics	31
102-48	Restatements of information	In those cases where it has been possible, the data relating to the last three years has been included (2016-2018 period)
102-49	Changes in reporting	169
102-50	Reporting period	169
102-51	Date of most recent report	2017
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	169
102-56	External assurance	This report has not been verified by a third party. The report has been analysed by the Spanish Global Compact Network.

MANAGEMENT APPROACH

GRI indicator		Reference
103-1	Explanation of the material topic and its boundary	The aspects on which it is reported refer to the activities carried out by the entity and the possible direct impacts derived from them
103-2	The management approach and its components	45, 59, 61-64, 66, 68, 71, 84-85, 109-110, 150

ECONOMIC PERFORMANCE INDICATORS

GRI indicator		Reference
201-1	Direct economic value generated and distributed	104-108
201-4	Financial assistance received from government	108

ANTI-COMPETITIVE BEHAVIOR

GRI indicator		Reference
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2018, no lawsuits have been filed for unfair competition, monopolistic practices or against free competition

MATERIALS

GRI indicator	Reference
301-1 Materials used by weight or volume	117
301-2 Recycled materials used	126

ENERGY

GRI indicator	Reference
302-1 Energy consumption within the organization	114-115
302-3 Energy intensity	116
302-4 Reduction of energy consumption	115

WATER

GRI indicator	Reference
303-1 Total water withdrawal by source	118

BIODIVERSITY

GRI indicator	Reference
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	127-128

EMISSIONS

GRI indicator		Reference
305-1	Total direct greenhouse gas (GHG) emissions (scope 1)	119-120
305-2	Total indirect greenhouse gas (GHG) emissions (scope 2) (generated off site during combustion of the energy source)	119-120
305-4	Greenhouse gas (GHG) emissions intensity	121
305-5	Reduction of greenhouse gas (GHG) emissions	122

EFFLUENTS AND WASTE

GRI indicator		Reference
306-1	Total water discharge by quality and destination	126
306-2	Total weight of waste by type and disposal method	125-126

ENVIRONMENTAL COMPLIANCE

GRI indicator		Reference
307-1	Non-compliance with environmental laws and regulations	112

EMPLOYMENT

GRI indicator		Reference
401-1	New employee hires and employee turnover	114
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	136
401-3	Parental leave	137

OCCUPATIONAL HEALTH AND SAFETY

GRI indicator	Reference
403-1 Workers representation in formal joint management-worker health and safety committees	138
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	140

TRAINING AND EDUCATION

GRI indicator	Reference
404-1 Average hours of training per year and per employee	142-143
404-2 Programs for upgrading employee skills	144-149
404-3 Percentage of employees receiving regular performance and career development reviews	147

DIVERSITY AND EQUAL OPPORTUNITY

GRI indicator	Reference
405-1 Diversity of governance bodies and employees	57,132-133
405-2 Ratio of basic salary and remuneration of women to men	135

NON-DISCRIMINATION



GRI indicator	Reference
406-1 Incidents of discrimination and corrective actions taken	67

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI indicator	Reference
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	In 2018, no significant centers or suppliers were identified in which the rights of freedom of association and collective bargaining may have been infringed or threatened

COMMUNITY INVESTMENT

GRI indicator	Reference
413-1 Operations with local community engagement, impact assessments, and development programs	159-161

CUSTOMER HEALTH AND SAFETY

GRI indicator	Reference
416-1 Assessment of the health and safety impacts of product and service categories	86-90



MARKETING AND LABELING

GRI indicator

Reference

417-3	Incidents of non-compliance concerning marketing communications	In 2018, there were no cases of non-compliance with the regulations or voluntary codes related to marketing communications
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CUSTOMER PRIVACY

GRI indicator

Reference

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	154-156
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SOCIOECONOMIC COMPLIANCE

GRI indicator

Reference

419-1	Non-compliance with laws and regulations in the social and economic area	In 2018, Adif has not received significant penalties or fines derived from non-compliance with the regulations in the social and economic fields
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ODS

Nuestra contribución a los ODS



• • INNOVATION AND DIGITAL TRANSFORMATION (CHAPTER 3.4)

8 9 11 12 13 17

• • CORPORATE GOVERNANCE, TRANSPARENCY AND RISK MANAGEMENT (CHAPTER 4)

4 5 8 10 16 17

• • HEALTH AND SAFETY (CHAPTER 5.2)

3 4 8 9 11 16

• • SERVICE IMPROVEMENTS (CHAPTER 5.3)

3 7 8 9 10 11

• • FINANCIAL PERFORMANCE AND ECONOMIC VALUE GENERATED (CHAPTER 5.4)

8 9 11

• • ENVIRONMENTAL MANAGEMENT AND CLIMATE CHANGE ACTION (CHAPTER 5.5)

6 7 9 11 12 13 15 17

• • THE TEAM (CHAPTER 5.6)

3 4 5 8

• • CUSTOMER ORIENTATION (CHAPTER 5.7)

3 9 11

• • COMMUNITY COMMITMENT (CHAPTER 5.8)

4 5 8 9 10 11 17

• • SUPPLIER MANAGEMENT (CHAPTER 5.9)

8 9 11 12 17

ADIF's CONTRIBUTION TO THE SDGs IN NUMBERS



- **17.06 lost-time injuries/1,000 workers**
- **0.24 persons killed or severely injured** in accidents per million train-km
- **0.078 significant accidents** caused by the infrastructure managed per million train-km



- **41.7% female board representation**
- **14.1% of headcount female**
- **Pay gap in executive level jobs: 2.78%**



- Energy efficiency: **27.69 GWh/year of savings**



- Investment in innovation* **€0.43m**
- Passengers benefitting from station modernization: **49.2m passengers**
- Collaboration and open innovation*: **23% of projects** carried out



- Passengers benefitting from station modernization: **49.2m passengers**
- Network renewal and upgrade: **331.32km**
- **Catalog of social and environmental clauses** for supplier contracts*



- Emissions reduced vs. 2017: **8,142.3 tCO2eq**
- **23 R&D projects***



- **57 notifications** via whistle-blowing channel*
- **41.7% female** board representation



- **49.9 hours** training per employee
- **98.1%** of employees met their objectives for the year
- **542 employees** received **ethics training***



- **675,958m3** reduction of water consumed



- Investments executed: **€391.30m**
- Percentage of employees on indefinite contracts: **96.5%**
- Accident rate: **17.06 lost-time injuries/1,000 workers**



- Accessibility*: **83.7%** of passengers
- **Catalog of social and environmental clauses** for supplier contracts*
- **41.7% female** board representation



- Management of **hazardous waste: 0.52 tonnes per train-km**
- **675,958m3** of water consumed
- **Catalog of social and environmental clauses** for supplier contracts*



- **Environmental incidents***: none
- **1,554km** of tracks loaned or lease for **greenways**
- Expenditure on **fire prevention: €18.43m**



- Use of Community funds: **0.81 (income-dev)/size of annual state budget**
- Collaboration and open innovation*: **23% of projects** carried out
- Audience of **2.02m people** reached via **Open Station Program***

(*) Integrated indicator for Adif and Adif-AV

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APPENDIX

Appendix: Table of contents



APPENDIX

TABLE OF CONTENTS

Table of contents required under Spanish Law 11/2018, which amends the Spanish Code of Commerce, the consolidated text of the Corporate Enterprises Act passed by means of Royal-Legislative Decree 1/2010 and the Audit Act (Law 22/2015) in respect of non-financial and diversity disclosures.

GENERAL ASPECTS



Aspects

Reporting framework

Reference

Comments / Reason for omission

Aspects	Reporting framework	Reference	Comments / Reason for omission
Business model	Description of the business model	GRI 102-2 Activities, brands, products, and services	11-44
	Business environment	GRI 102-3 Location of headquarters	
	Organization and structure	GRI 102-4 Location of operations	
	Operating markets	GRI 102-15 Main 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	
Main risks and impacts identified	Risk management	GRI 102-15 Main impacts, risks and opportunities	68-72
	Analysis of risks and impacts related with material topics	GRI 102-15 Main impacts, risks and opportunities	70

ENVIRONMENTAL ISSUES



Aspects

	Reporting framework	Reference	Comments / Reason for omission
Environmental management	Current and foreseeable impacts of the undertaking's activities	GRI 307-1 Non-compliance with environmental laws and regulations	111
	Environmental assessment and certification processes	Qualitative description about assessments and certifications	111-112
	Resources dedicated to preventing environmental risks	Qualitative description about the resources dedicated to the preventing environmental risks	112-113
	How the precautionary principle is addressed	GRI 102-11 Precautionary principle or approach	110-111
	Amount of provisions recorded or guarantees extended for environmental claims	Qualitative description about provisions recorded or guarantees extended for environmental claims	112
Pollution	Measures to prevent, reduce or repair the carbon emissions that seriously impact the environment (including noise and light pollution)	Qualitative description about the measures to prevent, reduce or repair the carbon emissions that impact the environment (including noise and light	119-124
Circular economy, prevention and waste management	Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste	GRI 306-1 Total water discharge by quality and destination GRI 306-2 Total weight of waste by type and disposal method	125-126
	Initiatives undertaken to eliminate food waste		n/a Due to the company's activity, this indicator is not considered relevant


Aspects

		Reporting framework	Reference	Comments / Reason for omission
Sustainable use of resources	Water consumption and supply, in keeping with local limitations	GRI 303-1 Total water withdrawal by source	118	
	Raw material consumption	GRI 301-1 Materials used by weight or volume	117-118	
	Measures taken to use raw materials more efficiently		113	
	Direct and indirect energy consumption	GRI 302-1 Energy consumption within the organization	114-115	
		GRI 302-3 Energy Intensity		
	Energy efficiency measures taken	GRI 302-4 Reduction of energy consumption	113, 115-116	
Use of renewable sources of energy	GRI 302-1 Energy consumption within the organization	113,115		
Climate change	Important aspects of of greenhouse gas (GHG) emissions generated	GRI 305-1 Total direct greenhouse gas (GHG) emissions (scope 1)	119-121	
		GRI 305-2 Total indirect greenhouse gas (GHG) emissions (scope 2)		
		GRI 305-4 Greenhouse gas (GHG) emissions intensity		
	Measures taken to adapt for the consequences of climate change	Qualitative description of the measures taken to adapt for the consequences of climate change	122-123	
	GHG emission-cutting targets voluntarily adhered to	GRI 305-4 Greenhouse gas (GHG) emissions intensity	122-123	



Aspects

		Reporting framework	Reference	Comments / Reason for omission
Biodiversity protection	Measures taken to preserve or restore biodiversity	GRI 304-3 Protected or restored habitats	127-130	
	Impacts caused by the undertaking's activities or operations on protected areas	GRI 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	128-130	
		GRI 306-5 Water bodies affected by water spills and/or runoff		


SOCIAL AND EMPLOYEE MATTERS



Aspects

		Reporting framework	Reference	Comments / Reason for omission
Employment	Total number and breakdown of employees by gender, age, country and job category	GRI 102-8 Information of employees and other workers	132-133	
	Total number and breakdown by contract category	GRI 102-8 Information of employees and other workers	134	
	Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category	GRI 102-8 Information of employees and other workers	134	
		GRI 401-1 New employee hires and employee turnover		
	Number of dismissals by gender, age and job category	GRI 102-8 Information of employees and other workers	135	
	Gender pay gap	GRI 405-2 Ratio of basic salary and remuneration of women to men	135	

SOCIAL AND EMPLOYEE MATTERS

 Aspects		Reporting framework	Reference	Comments / Reason for omission
Employment	Average remuneration by gender, age and job category	Quantitative description about the average remuneration by gender, age and job category	135	
	Average director remuneration by gender	Quantitative description about the average director remuneration by gender	135	
	Average executive remuneration by gender	Quantitative description about the average executive remuneration by gender	135	
	Implementation of policies regarding the right to disconnect from work		n/a	Adif has no work disconnection policies
	Employees with disabilities	GRI 405-1 Diversity of governance bodies and employees	135	
Organization of work	Organization of working hours	Qualitative description about the organization of working hours	136	
	Absenteeism in hours	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	136	
	Measures designed to facilitate work-life balance and sharing of caring responsibilities	GRI 401-2 Programs for upgrading employee skills	136-137	
GRI 401-3 Percentage of employees receiving regular performance and career development reviews				


Aspects

		Reporting framework	Reference	Comments / Reason for omission
Workplace health and safety	Health and safety conditions in the workplace	GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	139	
	Number of work-related injuries and illnesses by gender; injury frequency and severity rates by gender		140-141	
Management-employee relations	Organization of management-labor engagement	GRI 403-1 Workers representation in formal joint management-worker health and safety committees	138	
	Percentage of employees covered by collective bargaining agreements by country	GRI 102-41 Collective bargaining agreements	138	
	Assessment of collective bargaining agreements, particularly with respect to workplace health and safety	Qualitative description about the assessment of collective bargaining agreements, particularly with respect to workplace health and safety	138	
Training	Policies implemented in the area of training	GRI 404-2 Programs for upgrading employee skills	142-149	
	Total training hours by job category	GRI 404-1 Average hours of training per year and per employee	143	


Aspects
Reporting framework
Reference
Comments / Reason for omission

Equality	Measures taken to foster equal treatment of and opportunities for men and women	GRI 405-2 Ratio of basic salary and remuneration of women to men	150-153	
	Equality plans, measures taken to foster employment, anti-sexual/gender harassment protocols	GRI 405-1 Diversity of governance bodies and employees	153	
	Integration in the workplace and accessibility for persons with disabilities	GRI 405-1 Diversity of governance bodies and employees	150	
	Non-discrimination and diversity management policies	GRI 406-1 Incidents of discrimination and corrective actions taken	150-153	


HUMAN RIGHTS MATTERS
Aspects
Reporting framework
Reference
Comments / Reason for omission

Human rights due diligence procedures	GRI 102-16 Values, principles, standards, and norms of behavior	n/a	Due to its activity, Adif has not considered necessary to apply human rights due diligence procedures
Processes and arrangements for preventing human rights abuses and any measures taken to mitigate, manage and repair possible abuses that have materialized	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	67	
Claims of humans rights abuses	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	67	

HUMAN RIGHTS MATTERS

 Aspects	Reporting framework	Reference	Comments / Reason for omission
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.	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	67	

ANTI-CORRUPTION AND BRIBERY MATTERS

 Aspects	Reporting framework	Reference	Comments / Reason for omission
Measures taken to prevent corruption and bribery	GRI 102-16 Values, principles, standards, and norms of behavior	66	
Measures taken to combat money laundering	Qualitative description about measures taken to combat money laundering	66	
Contributions to non-profit entities	GRI 201-1 Direct economic value generated and distributed	160	

SOCIETY MATTERS



Aspects

		Reporting framework	Reference	Comments / Reason for omission
Commitment to sustainable development	Impact of the undertaking's activities on society in terms of employment and local development	GRI 413-1 Operations with local community engagement, impact assessments, and development programs	159-161	
	Impact of the undertaking's activities on society in terms of local communities and territories	GRI 102-12 External initiatives	162	
	Engagement with local community representatives; communication channels in place	GRI 102-43 Approach to stakeholder engagement	77-83	
	Membership of associations and sponsorships	GRI 102-13 Membership of associations	159-161	
Outsourcing and suppliers	Inclusion in the purchasing policy of social, gender equality and environmental matters	GRI 102-9 Supply chain GRI 102-10 Significant changes to the organization and its supply chain	166-167	
	Contemplation in relations with suppliers and subcontractors of their social and environmental records	GRI 102-9 Supply chain GRI 102-10 Significant changes to the organization and its supply chain	166-167	



Aspects

Reporting framework

Reference

Comments / Reason for omission

<p>Outsourcing and suppliers</p>	<p>Supervision and audit systems and their outcomes</p>	<p>GRI 102-9 Supply Chain</p>	<p>167</p>	
		<p>GRI 102-10 Significant changes to the organization and its supply chain</p>		
		<p>GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</p>		
<p>Consumers</p>	<p>Consumer health and safety measures</p>	<p>GRI 416-1 Assessment of the health and safety impacts of product and service categories</p>	<p>86-90,92</p>	
	<p>Consumer grievance management systems</p>	<p>Qualitative description about Consumer grievance management systems</p>	<p>154-156</p>	
	<p>Complaints received and remediation thereof</p>	<p>GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data</p>	<p>155</p>	
<p>Tax information</p>	<p>Country-by-country profits</p>	<p>GRI 201-1 Direct economic value generated and distributed</p>	<p>104</p>	<p>Adif only has profits in Spain</p>
	<p>Corporate income tax paid</p>	<p>Quantitative description of the result before and after taxes</p>	<p>104</p>	<p>Adif only has profits in Spain</p>
	<p>Government grants received</p>	<p>GRI 201-4 Financial assistance received from government</p>	<p>108</p>	

