

## APPENDIX 1

### ANNUAL REPORT ON REMUNERATION PAID TO THE DIRECTORS OF LISTED COMPANIES

#### IDENTIFICATION DATA OF ENTITY

**CLOSING DATE PERIOD OF REFERENCE** 31/12/2013

**C.I.F.** A-20014452

#### **BUSINESS NAME**

CIE AUTOMOTIVE, S.A.

#### **REGISTERED OFFICE**

ALAMEDA MAZARREDO Nº 69, 8º PISO BILBAO (BIZKAIA)

## ANNUAL REPORT ON REMUNERATION PAID TO THE DIRECTORS OF LISTED COMPANIES

### A COMPANY'S REMUNERATIONS POLICY FOR THE CURRENT YEAR

A.1 Explain the Company's remunerations policy. This section will include information on:

- General principles and reasons for the remunerations policy
- Most significant changes made in the remunerations policy compared with the previous year and any changes made during the year in the exercise conditions for stock options already granted.
- Criteria applied and composition of comparable corporate groups the remunerations policy of which have been examined to establish the company's remunerations policy.
- Relative importance of variable remuneration items with respect to fixed items and criteria applied to determine the components of directors' remuneration package (salary mix).

#### Explain the Company's remunerations policy

Throughout organisation, the remunerations policy is viewed as a factor key to the creation of value. This is also the view of CIE Automotive in relation to the remuneration of the members of its Board of Directors, the creation of value being the principle underlying Article 24 of the Articles of Association which regulates directors' remuneration.

Article 24. Directors' remuneration

1. The members of the Board of Directors shall be entitled to receive remuneration. This remuneration shall consist of: (a) a fixed portion, concordant with the services and responsibilities assumed; (b) a variable portion, linked to objective indicators of the director's individual performance or the company's performance; (c) a portion corresponding to welfare benefits, which shall include the pertinent insurance. Items (a) and (b) shall be paid in cash.

2. The setting of the amounts of fixed remuneration, of the indicators used to calculate the variable portion (which may in no circumstances consist of a stake in the Company's profits), and of the items to be included in the welfare portion shall be resolved upon by the General Shareholders' Meeting. The General Shareholders' Meeting is expressly authorised to establish incentives schemes for all, any or some of the directors and for the senior managers of the company or group companies. These schemes may include the award of shares or share options or remuneration linked to the value of shares, subject to the requirements established in the legislation in force at each given moment.

3. In addition, administrators who have been assigned executive functions in the company shall be entitled, in the event of their dismissal not due to a breach of duty, shall be entitled to an indemnity set by the Company."

The remuneration reserved for directors is aimed at recognising the Board Members' commitment and sense of responsibility towards the Company and is based on criteria which take into consideration the levels of responsibility and dedication inherent in the offices which they hold.

In this respect, directors classed as executive directors receive remuneration insofar as they show particular dedication to the performance of their duties within the Company.

During the year ended 31 December 2013, remuneration of this kind was paid to the Chairman of the Board of Directors and to the Chief Executive Officer.

In view of their particular dedication to the Company, remuneration has also been paid to the Chairman of the Audit and Compliance Committee and to the Chairman of the Appointments and Remuneration Committee, and to the director Mr. Fermín del Río Sanz de Acedo.

The Company pays its directors no remuneration or benefits of other kinds (neither per diem expenses for attendance of meetings, nor share-based remuneration, nor savings or retirement plans, nor advances or loans, guarantees, etc.), except for the loan granted for the Chief Executive Officer to purchase shares in the Company.

The directors receive said remuneration directly from the parent company except in the case of the CEO, who also receives remuneration from other Group companies.

A.2 Information on preparatory work and the decision-taking process followed to determine the remunerations policy and the role played, if any, by the Remunerations Committee and other supervisory bodies in the design of the remunerations policy. This information will include, where necessary, the mandate and composition of the Remunerations Committee and the identity of any external advisors used to define the emoluments policy. Likewise, the nature of the directors taking part, if appropriate, in the definition of the remunerations policy will be indicated.

**Explain the process for determining the remunerations policy**

Article 15 of the Board of Directors' Regulations stipulates that faculties to propose the implementation of decisions regarding directors' remuneration shall be reserved for the Appointments and Remuneration Committee.

This Committee is made up of the following three (3) Directors:

Mr. Carlos Solchaga Catalán (Chairman Independent External Director)  
Mr. Fermín del Río Sanz de Acedo (Nominee Director)  
Mr. Francisco José Riberas Mera (Nominee Director)

In accordance with the Board of Directors' Regulations, neither the Executive Directors nor those who are members of the Audit and Compliance Committee form part of this Committee.

Moreover, it is an external independent director – Mr. Carlos Solchaga Catalán – who serves as Chairman of the Committee, following his appointment to such position by the Board of Directors.

Without prejudice to other tasks may be assigned by the Board to the Appointments and Remuneration Committee, its basic responsibilities are the following:

- a) Establish and review the criteria to be applied regarding the composition of the Board of Directors and the selection of candidates;
- b) Report on proposals for the appointment of Directors;
- c) Propose to the Board the persons who may be members of each of the Committees;
- d) Propose to the Board of Directors the system for, and amount of, annual remuneration to be paid to Directors and, in particular, to the Chairman of the Audit and Compliance Committee, in view of his particular dedication;
- e) Propose the system for, and amount of, remuneration to be paid to Senior Managers;
- f) Review remuneration programmes periodically, weighing up their suitability and the returns obtained;
- g) Ensure the transparency of remuneration;
- h) Report on the appointment of persons by whom the Company is to be represented on the Boards of Directors of subsidiaries and significant investees, as determined by the Board;
- i) Report on the appointment or dismissal of management personnel who report directly to the Board, the Delegate Executive Committee or the Managing Director, where appropriate.

The Committee shall be required to consider suggestions presented by the Chairman, the Board members, and the management personnel or shareholders of the Company.

The Appointments and Remuneration Committee is to meet each time the Board or its Chairman request the issue of a report or the adoption of proposals and, in any event, whenever advisable for the efficient fulfilment of its functions. In any event, it shall be required to meet once a year to prepare the information on Directors' remuneration which the Board of Directors is to approve and include in the documentation which it publishes annually.

The Committee met five times during the year ended 31 December 2013.

The Appointments and Remuneration Committee has not received assistance from external advisors in the fulfilment of its functions.

A.3 Indicate the amount and nature of the fixed components, broken down where necessary, of the remuneration for the performance of senior management functions of the executive directors, the additional remuneration as chairman or member of any board committee, fees for participation in board and committee meetings and other fixed payments in their capacity as directors, and an estimate of the fixed annual remuneration they give rise to. Identify other benefits that are not paid in cash and the basic criteria for their payment.

**Explain the fixed remuneration components**

The fixed component (the only remuneration item for directors) is related to the performance of executive duties or the directors' special dedication to the Company.

The Chairman, the CEO, Mr. Fermín del Río Sanz de Acedo and the chairmen of the Audit Committee and the Appointments and Remunerations Committee are the only directors that receive emoluments in CIE Automotive.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration plans of which directors are beneficiaries, their scope, date of approval, implementation date, validity period and its main features. For stock option plans and other financial instruments, the general features of the plan will include information on the exercise conditions of such options or financial instruments for each plan.
- Indicate any remuneration from profit sharing or bonuses and why they were granted.
- Explain the basic parameters and reasons for any annual bonus system.
- The classes of directors (executive directors, external nominee directors, external independent directors or other external directors) who are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The basis of such variable remuneration systems or plans, performance evaluation criteria chosen, as well as the evaluation components and methods to determine whether or not the valuation criteria have been met, and an estimate of the total amount of variable remuneration generated under the current remuneration plan, based on the degree of compliance with targets or benchmarks.
- Where appropriate, information should be provided concerning the deferral or deferment periods established and/or holding periods for shares or other financial instruments, if any.

**Explain the variable components of the remuneration systems**

CIE Automotive's directors do not receive emoluments of this kind.

A.5 Explain the main features of the systems of long-term savings, including retirement and any other survival benefit, funded partly or wholly by the company, whether provided internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined benefit or defined contribution, vesting conditions for the economic benefits in favour of directors and their compatibility with any type of compensation for early termination or recession of the contractual relationship between the company and the director.

Also indicate contributions to defined contribution pension plans in favour of the director, or the increase in the director's vested rights in the case of contributions to defined benefit plans.

**Explain long-term savings arrangements**

CIE Automotive's directors do not receive emoluments of this kind.

A.6 Indicate any indemnities agreed or paid in case of termination of a director's appointment.

**Explain indemnities**

CIE Automotive's directors do not receive emoluments of this kind.

A.7 State the conditions that must be met by to the contracts of persons exercising senior management functions as executive directors. Among other items, information is to be provided concerning the duration, limits on the amounts of compensation, permanence conditions, notice periods and payments in lieu of such notice period, and any other clauses regarding hiring bonuses, as well as compensation or "golden parachutes" for early termination of the contractual relationship between the company and the executive director. Include, among other items, covenants or agreements not to compete, exclusivity, permanence or loyalty and post-contractual non-competition.

**Explain executive directors' contractual conditions**

There are no agreements or other applicable factors other than generally applicable legal conditions.

A.8 Explain any additional remuneration paid to directors for services rendered other than those inherent to their position.

**Explain supplementary remuneration**

Mr Fermín del Río Sanz de Acedo (through the company Ibaiaren Investment Services S.L.) has rendered strategic consulting services to the CIE Automotive Group in 2013 amounting to 872 thousand Euros.

A.9 Indicate any remuneration in the form of advances, loans and guarantees granted, indicating interest rates, key features and any amounts reimbursed, as well as the obligations undertaken on their behalf by way of guarantee.

**Explain advances, loans and guarantees granted**

The CEO, Mr. Jesús María Herrera Barandiarán, was granted a loan by CIE Automotive to acquire shares in the Company with a par value of €1,212,075.67 and with a present value (discounted for financial purposes) at 31 December 2013 of €1,165,457.38.

A.10 Explain the main characteristics of benefits in kind

**Explain benefits in kind**

The loan referred to in A.9 above entails the existence of a benefit in kind due to the interest rate applied.

A.11 Indicate the remuneration accrued by the director by virtue of payments made by the listed company to a third party in which the director provides services when such payments are aimed at remunerating the director's services in the company.

**Indicate the remuneration incurred by the director by virtue of payments made by the listed company to a third party in which the director provides services**

CIE Automotive's directors do not receive emoluments of this kind.

A.12 Any remuneration items other than the above, whatever their nature or the group company that pays them, especially when regarded as consideration for a related party transaction or if their issuance distorts the a true and fair view of the total remuneration earned by the director.

**Explain the other remuneration items**

CIE Automotive's directors do not receive emoluments of this kind.

A.13 Explain the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and bring it into line with the company's objectives, values and long-term interests, which shall include, where appropriate, a reference to: measures envisaged to ensure that the remuneration policy takes into account the company's long-term results, measures ensuring an appropriate balance between fixed and variable compensation, measures taken in relation to those components and categories of staff whose professional activities have a material impact on the risk profile of the entity, recovery formulas or clauses to claim the reimbursement of the variable remuneration components based on results when such components were paid based on data the inaccuracy of which has subsequently been manifestly evidenced, and measures envisaged to avoid conflict of interest, if any.

**Explain actions taken to reduce risk**

For the purpose of determining the remuneration of those directors that actually receive them, the Appointments and Remunerations Committee evaluates the Company's long term objectives, values and interests and adopts the measures it considers pertinent to adjust and mitigate risk.

**B REMUNERATIONS POLICY ENVISAGED FOR FUTURE YEARS**

B.1 Effect a general forecast of the remunerations policy for future years to describe the policy regarding: fixed components and per diems, and variable compensation; relationship between pay and performance; security systems; contractual conditions for executive directors; and forecasts concerning the most significant changes in remuneration policy with respect to previous years.

**General forecast of the remunerations system**

The remuneration system established by CIE Automotive for the members of its Board of Directors, as described in this report, is that which is to be applied for the current year and shall continue to be applied in future years unless the Company's competent decision-making bodies, in the light of the circumstances at the time, decide otherwise.

As a novelty for 2014, variable remuneration is expected to be paid to the CEO and the Board is also assessing the possibility of submitting to the shareholders for their approval in general meeting, a stock option scheme for the CEO and for certain number of senior executive.

Irrespective of the above, the Appointments and Remuneration Committee, in the performance of the functions which are attributed to it by the Board of Director's Regulations, reviews the Board of Directors remuneration policy periodically, presenting, to the Board, within the framework established by the Articles of Associations, such proposals as it considers appropriate in terms of remunerative items and amounts, taking into consideration the conditions of the environment in which the company operates and its results.

B.2 Explain the process of decision making for setting the remuneration policy planned for future years, and the role, if any, of the remunerations committee.

**Explain the decision-taking process to design the remunerations policy**

As mentioned in A.1. above, the Appointments and Remunerations Committee will be responsible, under the same premises, for proposing the emoluments of the directors in the terms indicated to the Board of Directors.

B.3 Explain the incentives created by the company in the remunerations system to reduce excessive risk exposure and adjust it to the company's objectives, values and long-term interests.

**Explain incentives created to reduce risks**

There are no items associated with incentives of this kind.

**C GLOBAL SUMMARY OF HOW THE REMUNERATIONS POLICY WAS APPLIED DURING THE YEAR**

C.1 Briefly explain the main features of the structure and pay items of the remunerations policy applied during the year, which form the basis of the analysis of the individual remunerations earned by each of the directors that are reflected in Section D of this report and a summary of the decisions taken by the board to implement these items.

**Explain the structure and remuneration items in the remunerations policy applied during the year**

As mentioned above, the remuneration reserved for directors is aimed at recognising the Board Members' commitment and sense of responsibility towards the Company and is based on criteria which take into consideration the levels of responsibility and dedication inherent in the offices which they hold.  
In this respect, directors classed as executive directors receive remuneration insofar as they show particular dedication to the performance of their duties within the Company.

**D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

<b>Name</b>	<b>Type</b>	<b>Accrual period FY 2013</b>
CORPORACIÓN GESTAMP, S.L.	Nominee	01/01/2013 to 31/12/2013.
QMC DIRECTORSHIPS, S.L.	Nominee	01/01/2013 to 31/12/2013
ANTONIO MARIA PRADERA JAUREGUI	Executive	01/01/2013 to 31/12/2013.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	Nominee	01/01/2013 to 31/12/2013.
FERMIN DEL RIO SANZ DE ACEDO	Nominee	01/01/2013 to 31/12/2013.
ÁNGEL MANUEL OCHOA CRESPO	Independent	01/01/2013 to 31/12/2013.
FRANCISCO JOSE RIBERAS MERA	Nominee	01/01/2013 to 31/12/2013
JUAN MARÍA RIBERAS MERA	Nominee	01/01/2013 to 31/12/2013.
CARLOS SOLCHAGA CATALÁN	Independent	01/01/2013 to 31/12/2013.
ADDVALIA CAPITAL, S.A.	Nominee	01/01/2013 to 31/12/2013.
AUSTRAL, B.V.	Nominee	01/01/2013 to 31/12/2013
JESUS MARIA HERRERA BARANDIARAN	Executive	21/01/2013 to 31/12/2013
HEMANT LUTHRA	Nominee	04/10/2013 to 31/12/2013.
VANKIPURAM PARTHASARATHY	Nominee	04/10/2013 to 31/12/2013.

D.1 Complete the following tables concerning the individual remuneration of each of the directors (including remuneration for executive functions) accrued during the year.

**a) Remuneration accrued in the company referred to in this report:**

**i) Cash remuneration (Thousand Euros)**

Name	Salary	Fixed remuneration	Per diems	Variable remuneration, short term	Variable remuneration, long term	Remuneration due to membership of Board committees	Indemnities	Other items	Total 2013	Total 2012
ADDVALIA CAPITAL, S.A.	0	0	0	0	0	0	0	0	0	0
AUSTRAL, B.V.	0	0	0	0	0	0	0	0	0	0
CORPORACIÓN GESTAMP, S.L.	0	0	0	0	0	0	0	0	0	0
VANKIPURAM PARTHASARATHY	0	0	0	0	0	0	0	0	0	0
HEMANT LUTHRA	0	0	0	0	0	0	0	0	0	0
ELIDOZA PROMOCION DE EMPRESAS, S.L.	0	0	0	0	0	0	0	0	0	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
QMC DIRECTORSHIPS, S.L.	0	0	0	0	0	0	0	0	0	0
ANTONIO MARIA PRADERA JAUREGUI	0	450	0	0	0	0	0	0	450	3,950
FERMIN DEL RIO SANZ DE ACEDO	0	0	0	0	0	100	0	0	100	100
ÁNGEL MANUEL OCHOA CRESPO	0	0	0	0	0	30	0	0	30	30
CARLOS SOLCHAGA CATALÁN	0	0	0	0	0	100	0	0	100	100
JESUS MARIA HERRERA BARANDIARAN	0	113	0	0	0	0	0	84	197	0

**ii) Share-based remuneration systems**

**iii) Long-term savings arrangements**

**b) Remuneration accrued by company directors by virtue of their being members of boards in other group companies:**

**i) Cash remuneration (Thousand Euros)**

Name	Salary	Fixed remuneration	Per diems	Variable remuneration, short term	Variable remuneration, long term	Remuneration due to membership of Board committees	Indemnities	Other items	Total 2013	Total 2012
ADDVALIA CAPITAL, S.A.	0	0	0	0	0	0	0	0	0	0
ÁNGEL MANUEL OCHOA CRESPO	0	0	0	0	0	0	0	0	0	0
ANTONIO MARIA PRADERA JAUREGUI	0	0	0	0	0	0	0	0	0	0
AUSTRAL, B.V.	0	0	0	0	0	0	0	0	0	0
CARLOS SOLCHAGA CATALÁN	0	0	0	0	0	0	0	0	0	0
CORPORACIÓN GESTAMP, S.L.	0	0	0	0	0	0	0	0	0	0
ELIDOZA PROMOCION DE EMPRESAS, S.L.	0	0	0	0	0	0	0	0	0	0
FERMIN DEL RIO SANZ DE ACEDO	0	0	0	0	0	0	0	0	0	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
HEMANT LUTHRA	0	0	0	0	0	0	0	0	0	0
JESUS MARIA HERRERA BARANDIARAN	0	217	0	0	0	0	0	0	217	0
JUAN MARÍA RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
QMC DIRECTORSHIPS, S.L.	0	0	0	0	0	0	0	0	0	0
VANKIPURAM PARTHASARATHY	0	0	0	0	0	0	0	0	0	0

**ii) Share-based remuneration systems**

**iii) Long-term savings arrangements**

**c) Summary of remunerations (Thousand Euros):**

Include amounts relating to all remuneration items included in the present report accrued by the director, in thousand euro:

In the case of long-term savings arrangements, include contributions to arrangements of this kind:

Name	Remuneration accrued in the Company				Remuneration accrued in Group companies				Total		
	Total cash Remuneration	Value of shares granted	Gross profit on the options exercised	Total FY 2013 company	Total cash Remuneration	Value of shares granted	Gross profit on the options exercised	Total FY 2013 group	Total FY 2013	Total FY 2012	Contribution to savings arrangements
ANTONIO MARIA PRADERA JAUREGUI	450	0	0	450	0	0	0	0	450	3,950	0
JESUS MARIA HERRERA BARANDIARAN	197	0	0	197	217	0	0	217	414	0	0
ÁNGEL MANUEL OCHOA CRESPO	30	0	0	30	0	0	0	0	30	30	0
CARLOS SOLCHAGA CATALÁN	100	0	0	100	0	0	0	0	100	100	0
FERMIN DEL RIO SANZ DE ACEDO	100	0	0	100	0	0	0	0	100	100	0
ADDVALIA CAPITAL, S.A.	0	0	0	0	0	0	0	0	0	0	0
AUSTRAL, B.V.	0	0	0	0	0	0	0	0	0	0	0
CORPORACIÓN GESTAMP, S.L.	0	0	0	0	0	0	0	0	0	0	0
ELIDOZA PROMOCION DE EMPRESAS, S.L.	0	0	0	0	0	0	0	0	0	0	0
HEMANT LUTHRA	0	0	0	0	0	0	0	0	0	0	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA RIBERAS MERA	0	0	0	0	0	0	0	0	0	0	0
QMC DIRECTORSHIPS, S.L.	0	0	0	0	0	0	0	0	0	0	0
VANKIPURAM PARTHASARATHY	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>877</b>	<b>0</b>	<b>0</b>	<b>877</b>	<b>217</b>	<b>0</b>	<b>0</b>	<b>217</b>	<b>1,094</b>	<b>4,180</b>	<b>0</b>

D.2 Provide information concerning the relationship between the remuneration received by the directors and the profits or other performance indicators in the organisation, explaining, where appropriate, how variations in the company's performance have influenced fluctuations in directors' remuneration.

Directors' remuneration is not directly linked to the company's performance.

D.3 Indicate the results of the votes cast during the general shareholders' meeting concerning the annual remunerations report in the previous year, indicating the number of negative votes issued:

	Number	% of total
<b>Votes issued</b>	88,704,254	100.00%

	Number	% of total
<b>Votes against</b>	591,850	99.33%
<b>Votes in favour</b>	88,111,904	0.66%
<b>Abstentions</b>	500	0.00%

## **E OTHER INFORMATION OF INTEREST**

Briefly describe any relevant aspect of the director remuneration policy not included in this report but which is necessary to include to provide complete and detailed information on the company's compensation structure and practices in relation to its directors.

Nothing to include.

The present annual remunerations report was approved by the Company's Board of Directors on 28/02/2014.

State whether any director voted against, or abstained from voting in relation to, the present report.

Yes

No