

## APPENDIX 1

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

#### IDENTIFICATION DATA OF ENTITY

<b>CLOSING DATE PERIOD OF REFERENCE</b>	12/31/2014
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<b>C.I.F.</b>	A-20014452
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#### **BUSINESS NAME**

CIE AUTOMOTIVE, S.A.

#### **REGISTERED OFFICE**

ALAMEDA MAZARREDO, 69 - 8º - BILBAO (VIZCAYA)

## 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 2014, 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 Nomination and Compensation Committee, and to the director Mr. Fermín del Río Sanz de Acedo.

Furthermore, the Director Mr. Hemant Luthra, receives from the subsidiary Mahindra CIE Automotive Ltd remuneration for executive functions that he makes in this subsidiary.

Finally, the General Shareholders Meeting held on 30 April 2014, approved a remuneration system to executives based on value evolution of the Company shares, on behalf of Chief Executive Officer and a group of executive Directors of the Company, all according to the agreement adopted by the General Shareholders Meeting and available for its view on company's website. In any case, this remuneration will be effective during the first quarter of 2018 and must be decided, case by case, by Nomination and Compensation Committee.

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 Chief Executive Officer, who also receives remuneration from other Group companies and the Director, Mr. Hemant Luthra, who receives his entirely remuneration from the subsidiary mentioned above.

**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 Nomination and Compensation 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 Institutional Director)  
Mr. Francisco José Riberas Mera (Nominee Institutional 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 Nomination and Compensation 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 Nomination and Compensation 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 three times during the year ended 31 December 2014.

The Nomination and Compensation 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 apart from the one referred to the Chief Executive Officer) 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 Nomination and Compensation Committee are the only directors that receive emoluments in CIE Automotive.

The Director Mr. Hemant Luthra, as the Chairman of Board of Directors of Mahindra CIE Automotive Ltd (holding of the Group located in India) also receives a remuneration in this society as consequent of his executive functions.

**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, unless the Chief Executive Officer, who has a variable component in this annual remuneration linked to the compliance of certain business parameters. As exception of the principle, in 2014 the Chief Executive Officer has received an additional remuneration as consequence of an early settlement of a variable remuneration linked to the evolution of shares of Autometal S.A. (subsidiary company), according with its annual accounts. Due to the exclusion of negotiation of the shares, in 2014 the Chief Executive Officer has accrued and collected an additional remuneration linked to the evolution of Autometal's shares during their negotiation period.

**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 its company Ibaiaren Investment Services S.L.) has rendered strategic consulting services to the CIE Automotive Group in 2014 for an amount of 438 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 Chief Executive Officer, 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 €.

**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, except as mentioned in A.8.

- 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 Nomination and Compensation 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.

During 2015 the remuneration policy for 2014 described above will continue without relevant changes, except for the addition of the Chairman of the Board of Directors as a beneficiary of a variable remuneration, who with the Chief Executive Officer, will be beneficiaries of a fixed and variable component in this remuneration, under equivalent parameters.

Irrespective of the above, the Nomination and Compensation 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 Nomination and Compensation 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 2014</b>
CORPORACIÓN GESTAMP, S.L.	Institutional	01/01/2014 to 12/31/2014.
QMC DIRECTORSHIPS, S.L.	Institutional	01/01/2014 to 12/31/2014.
ANTONIO MARIA PRADERA JAUREGUI	Executive	01/01/2014 to 12/31/2014.
ELIDOZA PROMOCION DE EMPRESAS, S.L.	Institutional	01/01/2014 to 12/31/2014.
FERMIN DEL RIO SANZ DE ACEDO	Institutional	01/01/2014 to 12/31/2014.
ÁNGEL MANUEL OCHOA CRESPO	Independent	01/01/2014 to 12/31/2014.
FRANCISCO JOSE RIBERAS MERA	Institutional	01/01/2014 to 12/31/2014.
JUAN MARÍA RIBERAS MERA	Institutional	01/01/2014 to 12/31/2014.
CARLOS SOLCHAGA CATALÁN	Independent	01/01/2014 to 12/31/2014.
ADDVALIA CAPITAL, S.A.	Institutional	01/01/2014 to 12/31/2014.
JESUS MARIA HERRERA BARANDIARAN	Executive	01/21/2014 to 12/31/2014
HEMANT LUTHRA	Institutional	10/04/2014 to 12/31/2014.
VANKIPURAM PARTHASARATHY	Institutional	10/04/2014 to 12/31/2014.



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	Termination benefits	Other items	Total 2014	Total 2013
HEMANT LUTHRA	0	0	0	0	0	0	0	0	0	0
VANKIPURAM PARTHASARATHY	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
ADDVALIA CAPITAL, S.A.	0	0	0	0	0	0	0	0	0	0
CORPORACIÓN GESTAMP, S.L.	0	0	0	0	0	0	0	0	0	0
QMC DIRECTORSHIPS, 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
ANTONIO MARIA PRADERA JAUREGUI	0	450	0	0	0	0	0	28	478	450
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
FERMIN DEL RIO SANZ DE ACEDO	0	0	0	0	0	100	0	27	127	100
JESUS MARIA HERRERA BARANDIARAN	0	121	0	0	0	0	0	73	194	197

**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	Termination benefits	Other items	Total 2014	Total 2013
HEMANT LUTHRA	0	223	0	0	0	0	0	0	223	0
VANKIPURAM PARTHASARATHY	0	0	0	0	0	0	0	0	0	0
JUAN MARÍA RIBERAS MERA	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
ANTONIO MARIA PRADERA JAUREGUI	0	0	0	0	0	0	0	0	0	0
CARLOS SOLCHAGA CATALÁN	0	0	0	0	0	0	0	0	0	0
JESUS MARIA HERRERA BARANDIARAN	0	229	0	350	1,296	0	0	0	1,875	217
ÁNGEL MANUEL OCHOA CRESPO	0	0	0	0	0	0	0	0	0	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0
ADDVALIA CAPITAL, S.A.	0	0	0	0	0	0	0	0	0	0
CORPORACIÓN GESTAMP, S.L.	0	0	0	0	0	0	0	0	0	0
QMC DIRECTORSHIPS, 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

**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 2014 company	Total cash Remuneration	Value of shares granted	Gross profit on the options exercised	Total FY 2014 group	Total FY 2014	Total FY 2013	Contribution to savings arrangements
HEMANT LUTHRA	0	0	0	0	223	0	0	223	223	0	0
VANKIPURAM PARTHASARATHY	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
FERMIN DEL RIO SANZ DE ACEDO	127	0	0	127	0	0	0	0	127	100	0
ANTONIO MARIA PRADERA JAUREGUI	478	0	0	478	0	0	0	0	478	450	0
CARLOS SOLCHAGA CATALÁN	100	0	0	100	0	0	0	0	100	100	0
JESUS MARIA HERRERA BARANDIARAN	194	0	0	194	1,875	0	0	1,875	2,069	414	0
ÁNGEL MANUEL OCHOA CRESPO	30	0	0	30	0	0	0	0	30	30	0
FRANCISCO JOSÉ RIBERAS MERA	0	0	0	0	0	0	0	0	0	0	0
ADDVALIA CAPITAL, S.A.	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
QMC DIRECTORSHIPS, 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
<b>TOTAL</b>	<b>929</b>	<b>0</b>	<b>0</b>	<b>929</b>	<b>2,098</b>	<b>0</b>	<b>0</b>	<b>2,098</b>	<b>3,027</b>	<b>1,094</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>	103,375,243	100.00%

	Number	% of total
<b>Votes against</b>	426,655	0.41%
<b>Votes in favour</b>	102,880,188	99.52%
<b>Abstentions</b>	68,700	0.07%

## **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 02/25/2015.

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

YES

NO