

**APPENDIX I**

**CORPORATE GOVERNANCE ANNUAL REPORT OF LISTED COMPANIES**

**COMPANY IDENTIFICATION DATA**

<b>PERIOD OF REFERENCE CLOSING DATE:</b>	12/31/2016
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<b>T.I.N.</b>	A-20014452
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**COMPANY NAME**

CIE AUTOMOTIVE, S.A.

**REGISTERED OFFICE**

ALAMEDA MAZARREDO, 69 - 8º - 48009 BILBAO (VIZCAYA)

## CORPORATE GOVERNANCE ANNUAL REPORT FOR LISTED COMPANIES

### A. STRUCTURE OF OWNERSHIP

A.1 Complete the following table on the company's capital:

Date of latest modification	Share capital (€)	Number of shares	Number of voting rights
06/06/2014	32,250,000.00	129,000,000	129,000,000

State whether there are different classes of shares with different associated rights:

YES  NO

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MAHINDRA & MAHINDRA LTD	0	16,040,706	12.43%
QMC II IBERIAN CAPITAL FUND, FIL	4,417,679	0	3.42%
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	0	7,169,286	5.56%
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	6,450,000	0	5.00%
RISTEEL CORPORATION, B.V.	16,900,021	0	13.10%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of direct voting rights
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	16,040,706
ALANTRA ASSET MANAGEMENT, SGIIC, S.A.	OTHER SHAREHOLDERS	7,169,286

List the most significant changes in the shareholder structure during the year:

Name of shareholder	Date of the transaction	Description of the transaction
SANTANDER ASSET MANAGEMENT S.A., SGIIG	04/18/2016	Decrease a 3% of share capital

A.3 Complete the following tables on members of the Board Directors' voting rights at the company:

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
MR. FERMÍN DEL RIO SANZ DE ACEDO	25,000	0	0.02%
MR. ANTONIO MARÍA PRADERA JAUREGUI	6,450,009	6,450,000	10.00%
MR. JESÚS MARÍA HERRERA BARANDIARAN	450,000	0	0.35%
ADDVALIA CAPITAL, S.A.	6,450,208	0	5.00%
MR. VANKIPURAM PARTHASARATHY	5	0	0.00%

Name of the Director	Number of direct voting rights	Number of indirect voting rights	% total voting rights
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	10,072,182	16,900,021	20.91%
ELIDOZA PROMOCION DE EMPRESAS, S.L.	12,386,138	0	9.60%

Name of the indirect holder of the interest	Through: Name of the direct holder of the interest	Number of voting rights
MR ANTONIO MARÍA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	6,450,000
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	RISTEEL CORPORATION, B.V.	16,900,021

<b>% total of voting rights held by the Board of Directors</b>	49.84 %
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Complete the following tables on members of the Board of Directors who hold rights about shares in the Company.

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Articles 530 and 531 of the Spanish Companies Law. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES  NO

Indicate any concerted actions among Company shareholders of which the Company is aware. Describe briefly, if any:

YES  NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

Not applicable

A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act. Identify any that exist:

YES  NO

OBSERVATIONS
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A.8 Complete the following tables on the Company's treasury stock:

**At the close of the financial year:**

Number of direct shares	Number of indirect shares (*)	% total of share capital
0	0	0.00%

**(\*) Through:**

Give details on any significant variations during the year, according to the established in Royal Decree 1362/2007:

EXPLAIN SIGNIFICANT VARIATIONS
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**A.9 Indicate the terms and conditions of the authorization granted by the General Meeting to the Board of Directors to issue, repurchase or sell treasury shares.**

It is valid until April 26, 2021, inclusive, the mandate given by the General Meeting of Shareholders held on April 26, 2016, whereby the Board of Directors of CIE Automotivo S.A. is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotivo, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

**A.9.bis Estimated free float:**

	%
<b>Estimated floating capital</b>	36.49%

**A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market will be communicated.**

YES  NO

**A.11 Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.**

YES  NO

If so, explain the measures approved and the terms under which the restrictions would become ineffective:

At the General Shareholders' Meeting of CIE Automotivo, S.A. held on 23 April 2008, the following arrangement was adopted as a result of point three of the agenda:

SIX.- Approval of the exclusion of limitations on the action to be taken by the Company's governing and management bodies, and those within its group, in the terms established by Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July.

In accordance with the provisions of Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July, on the public bidding system to acquire shares, stipulate that the limitations referred to by Article 60.bis.2 and Article 28.5 of Royal Decree 1066/2007, of 27 July, will not be applicable to the governing bodies at the Company and the Group in the event that the Company is the target of a public share offering presented by a Company that is not domiciled in Spain and is not subject to these regulations or their equivalent, including those referring to the rules necessary for the General Meeting to adopt resolutions or, by an entity directly or indirectly controlled by such a company, in accordance with the provisions of Article 4 of Law 24/1988, of 28 July, on the Stock Market.

**A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.**

YES  NO

If so, indicate the different classes of shares and, for each one, the rights and obligations conferred.

## **B. SHAREHOLDERS' MEETING**

B.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Law and, if appropriate, explain.

YES  NO

	<b>% quorum different than that established under Article 193 SCL for general cases</b>	<b>% quorum different than that established under Article 194 SCL for special cases defined by Article 194 SCL</b>
Quorum required for 1st call	50.00%	0.00%
Quorum required for 2nd call	0.00%	0.00%

### **Description of the differences**

Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Shareholders Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call, the General Shareholders Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Shareholders Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call.

As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).

B.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Law (SCL):

YES  NO

Describe how it differs from the system contemplated in the Spanish Companies Law.

B.3 State the rules applicable to the amendment of the Articles of Association. In particular, the majorities provided for amending the Articles to will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the amendment of the Articles.

Regulations applicable to the amendment of the articles of association of CIE Automotive S.A. is captured by the Spanish Companies Law not existing in the Articles of Association different majorities of applicable law or rules laid down for the protection of members others than those set out in the rules of general nature.

B.4 Detail the figures of attendance at the Shareholders Meetings held during the reporting year and the previous year:

Date of the General Meeting	Attendance figures				Total
	% physically present	% represented by proxy	% distance voters		
			Electronic voting	Other	
04/30/2015	39.65%	39.01%	0.00%	0.00%	78.66%
04/26/2016	67.59%	15.57%	0.00%	0.00%	83.16%

B.5 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

YES  NO

B.6 Abrogated section

B.7 Indicate the address and means of access to the company website to information on corporate governance and other information on General Meetings to be made available to shareholders via the website of the Company.

CIE Automotive,S.A.'s website where it is available the information of corporate governance and other information about the General Shareholders Meetings is <http://www.cieautomotive.com/web/investors-website>.

## **C. STRUCTURE OF GOVERNANCE AT THE COMPANY**

C.1 Board of Directors

C.1.1 State the maximum and minimum number of Directors stipulated in the Articles of Association:

<b>Maximum number of Directors</b>	15
<b>Minimum number of Directors</b>	6

C.1.2. Complete the following table with the names of the directors:

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN MARÍA RIBERAS MERA		Proprietary	BOARD MEMBER	10/27/2010	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. FERMÍN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	12/21/2005	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. ANTONIO MARÍA PRADERA JAUREGUI		Executive	CHAIRMAN	06/24/2002	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. CARLOS SOLCHAGA CATALÁN		Independent	INDEPENDENT COORDINATING DIRECTOR	10/27/2010	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. JESUS MARÍA HERRERA BARANDIARAN		Executive	CHIEF EXECUTIVE OFFICER	01/21/2013	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR ÁNGEL MANUEL OCHOA CRESPO		Independent	BOARD MEMBER	10/27/2010	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT

Name of the Director	Representative	Category of the Director	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR. FRANCISCO JOSÉ RIBERAS MERA		Proprietary	BOARD MEMBER	10/27/2010	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ADDVALIA CAPITAL, S.A.	MRS. MARÍA TERESA SALEGUI ARBIZU	Proprietary	BOARD MEMBER	04/26/2007	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. VANKIPURAM PARTHASARATHY		Proprietary	BOARD MEMBER	10/04/2013	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	MR. FRANCISCO LOPEZ PEÑA	Proprietary	BOARD MEMBER	10/27/2010	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
QMC DIRECTORSHIPS, S.L.	MR. JACOBO LLANZA FIGUEROA	Proprietary	BOARD MEMBER	05/12/2005	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	MRS. GOIZALDE EGAÑA GARITAGOITIA	Proprietary	1st VICE CHAIRMAN	06/24/2002	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT
MR. SHRIPRAKASH SHUKLA		Proprietary	BOARD MEMBER	06/25/2015	04/26/2016	GENERAL SHAREHOLDERS' MEETING AGREEMENT

<b>Total number of Directors</b>	13
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Indicate the ceases that have occurred in the Board of Directors during the year:

C.1.3. Complete the following tables about Board members and their classification:

### EXECUTIVE DIRECTORS

Name of the Director	Position in Company's organization
DON FERMÍN DEL RIO SANZ DE ACEBO	ASSISTANT TO THE CHAIRMAN
MR. ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN
MR. JESÚS MARÍA HERRERA BARANDIARAN	CHIEF EXECUTIVE OFFICER

<b>Total number of executive Directors</b>	3
<b>Total percent of the Board</b>	23.08%

### PROPRIETARY EXTERNAL DIRECTORS

Name of the Director	Name of the significant shareholder represented or that proposed the appointment
MR. JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
MR. FRANCISCO JOSE RIBERAS MERA	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
ADDVALIA CAPITAL, S.A.	ADDVALIA CAPITAL, S.A.
MR. VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD
ACEK DESARROLLO Y GESTION INDUSTRIAL, S.L.	ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.
QMC DIRECTORSHIPS, S.L.	ALANTRA ASSET MANAGEMENT, SGIIC, S.L.

ELIDOZA PROMOCION DE EMPRESAS, S.L.	ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.
MR. SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD

<b>Total number of proprietary directors</b>	8
<b>Total percent of the Board</b>	61.54%

### INDEPENDENT EXTERNAL DIRECTORS

**Name of the Director:**

MR. CARLOS SOLCHAGA CATALÁN

**Profile:**

Economist from Universidad Complutense de Madrid (1966) and post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.) (1971).

In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-94. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (from 1991 to 1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Economy and Finance (1985-1993).

Since leaving political activity, it has been an international consultant for various institutions in different countries.

He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of Board of Directors of Cie Automotive, Duro felgera y Pharma Mar, S.A. Equally, complements his activity with conferences and journals for dissemination.

**Name of the Director:**

MR ÁNGEL MANUEL OCHOA CRESPO

**Profile:**

Degree in Economics and Business from Universidad del País Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA.

With more than 21 years' experience in the financial field. Accounting Executive and Manager from the Multinationals Department of Barclays Bank. Accounting Manager and co-director of the Corporate Banking of Lloyds Bank. Assistant General Manager of Banque Privée Edmon de Rothschild Europe, subsidiary in Spain, taking part in assembly and development of the bank since its opening in Spain. Member of the Steering Committee of the Bank and direct responsible of the following fields: private banking, institutional banking, investment management, estate and tax planning, and internal resources (management, human resources, etc.). Chairman of the Sabadell Atlántico Bank in Basque Country and Cantabria. At the same time, he has been member of the board of directors of several Open-ended Investment Companies (SICAVs).

Currently, he is an investment advisor. Partner of Angel Ochoa Crespo EAFI (financial advisory company), registered in the CNMV with nº 24. He holds the position of independent director of CIE Automotive, S.A. and director and secretary of ISLOPAN, S.A. that is dedicated to the real-state business and financial investment.

<b>Total number of independent Directors</b>	2
<b>Total percent of the Board</b>	15.38%

Indicate whether any director qualified as an independent perceives from the company or its group, any amount or benefit for a concept other than of remuneration, or maintains or has maintained during the last year, a business relationship with the society or any group company, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

Not applicable



If so, a reasoned statement of the board on the reasons why it considers that the Director can perform its functions as an independent Director should be included.

### OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered Institutional or independent directors and detail their relationships with the company, its executives or shareholders:

Indicate any variations during the year in the type of each Director:

C.1.4 Complete the following table with information on the number of female Directors for the past 4 years, and the nature of such female Directors:

	Number of female directors				% over each kind of directors			
	Year ended 2016	Year ended 2015	Year ended 2014	Year ended 2013	Year ended 2016	Year ended 2015	Year ended 2014	Year ended 2013
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	2	2	2	2	25.00%	22.22%	22.22%	20,00%
<b>Independent</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Other Outsiders</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	2	2	2	2	15.38%	15.38%	15.38%	14.29%

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men:

Explanation of the measures

In the exercise of its functions, the Appointments and Compensation Committee must submit their proposals to ensure that is taken into consideration people who possess the qualifications and skills required for the position, and that the process of selection of candidates does not suffer from implicit biases that hinder the selection of persons of either sex.

C.1.6 Explain the measures, if any, had agreed the Appointments Committee for that selection procedures do not suffer from implicit biases that hinder the selection of female directors and the company deliberately search and include among the potential candidates, women who meet the professional profile searched for:

Explanation of the measures

Appointments and Compensation Committee must ensure that people of both sexes who possess the qualifications and ability required for the position are taken into consideration.

When, despite the measures, if any, have been taken, the number of female directors are few or no, explain the reasons justifying:

Explanation of the measures

The appointment of new directors depends in large measure on the appearance of vacancies within the Board of Directors, which does not happen often. At this time the people who are part of the Board meet the required conditions. It will ensure that, there would be no bias whatsoever in the selection of directors in future appointments.

C.1.6 bis. Explain the conclusions of the appointments committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.

Explanation of the measures
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Appointments and Compensation Committee has concluded that despite the fact that the directors selection policy complies with requirements, is an objective fact that the number of female directors (around 15%), differs from the objective established for 2020. In this sense, in case vacancies occur (which does not happen usually), respective parts will be encouraged to promote the selection of female directors until the objective is achieved.

C.1.7 Explain how is the representation on the board of the controlling shareholders:

Controlling shareholders (see heading A.2) have appointed proprietary external directors on the Board of Directors. Detail of proprietary external directors is provided in the heading C.1.3.

C.1.8 Explain why proprietary directors have been appointed at the instance of shareholders with less than 3% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were denied.

YES  NO

C.1.9 State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

C.1.10 State the powers, if any, delegated to the managing director(s):

**Name of the Director**

MR. JESUS MARÍA HERRERA BARANDIARAN

**Brief description**

The Chief Executive Officer has all the functions of the Board except those that cannot be delegated.

C.1.11 Name the directors, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MÉXICO, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	GESCRAP AUTOMETAL MÉXICO SERVICIOS, S.A. DE C.V.	BOARD MEMBER	NO
MR. FERMÍN DEL RIO SANZ DE ACEDO	AUTOMETAL, S.A.	CHAIRMAN	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	AUTOKOMP INGENIERÍA, S.A.U.	CHAIRMAN	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	MAHINDRA FORGINGS EUROPE, AG	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	CIE BERRIZ, S.L.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE BERRIZ, S.L.; CIE GALFOR S.A.U.; CIE LEGAZPI, S.A.U.; AUTOKOMP INGENIERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAHINDRA CIE AUTOMOTIVE, LTD	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAHINDRA FORGINGS EUROPE, AG	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ALCASTING LEGUTIANO, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ALFA DECO, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ALURECY, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIODIESEL MEDITERRANEO, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIONOR BERANTEVILLA, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	BIOSUR TRANSFORMACION, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECICLADO DE RESIDUOS GRASOS, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECICLADOS ECOLÓGICOS DE RESIDUOS, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE MECAUTO, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE UDALBIDE, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	COMPONENTES DE AUTOMOCIÓN RECYTEC, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	COMPONENTES DE DIRECCIÓN RECYLAN, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	EGAÑA 2, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GAMEKO FABRICACION DE COMPONENTES, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GRUPO COMPONENTES VILANOVA, S.L.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	INYECTAMETAL, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	LEAZ VALORIZACIÓN, S.L.U.	BOARD MEMBER	NO

Name of the Director	Name of the Group company	Position	Do you have executive functions?
MR. JESÚS MARÍA HERRERA BARANDIARAN	MECANIZACIONES DEL SUR, MECASUR, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	NOVA RECYD, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ORBELAN PLÁSTICOS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PLASFIL PLÁSTICOS DA FIGUEIRA, S.A.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	RECYDE, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	TRANSFORMACIONES METALÚRGICAS NORMA, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE AUTOMETAL DE MÉXICO, S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE BERRIZ MÉXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE CELAYA S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	FORJAS DE CELAYA S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PERCASER DE MÉXICO S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	PINTURA Y ENSAMBLES DE MÉXICO, S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TÉCNICOS S.A. DE C.V.	CHAIRMAN	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	AUTOMETAL, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	ADVANCE COMFORT SYSTEMS IBÉRICA, S.L.	BOARD MEMBER	NO
MR. ANTONIO MARÍA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S.A.	CHAIRMAN	NO
MR. FERMIN DEL RIO SANZ DE ACEDO	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. FRANCISCO JOSÉ RIBERAS MERA	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S.A.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	DENAT 2007, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GRUPO AMAYA TELLERÍA, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GAT STAFF, S.L.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	INDUSTRIAS AMAYA TELLERÍA, S.A.U.	BOARD MEMBER	NO
MR. JESÚS MARÍA HERRERA BARANDIARAN	GAT MÉXICO, S.A. DE C.V.	CHAIRMAN	NO

C.1.12 Name company directors, if any, on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

Name of the Director	Name of the listed company	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	TUBACEX, S.A.	BOARD MEMBER
MR. ANTONIO MARÍA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	DURO FELGUERA. S.A.	BOARD MEMBER
MR. CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S.A.	BOARD MEMBER
ADDVALIA CAPITAL, S.A.	VIDRALA, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	ADVEO GROUP INTERNATIONAL, S.A.	BOARD MEMBER
QMC DIRECTORSHIPS, S.L.	TUBOS REUNIDOS, S.A.	BOARD MEMBER

C.1.13 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

YES  NO

C.1.14 Abrogated section

C.1.15 Indicate the total remuneration of the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	5,691
Amount of the global remuneration corresponding to the benefits accrued by current directors on pensions (thousand euros)	0
Amount of the global remuneration corresponding to the benefits accrued by the former directors on pensions (thousand euros)	0

C.1.16 List the members of senior management who are not executive directors and show the total compensation earned by them during the year:

Name	Position
MR. ALEXANDER TORRES COLOMAR	DIRECTOR OF PLASTIC OF BRAZIL
MR. AITOR ZAZPE GOÑI	DIRECTOR OF BIOFUEL, PLASTIC OF EUROPE AND HUMAN RESOURCES
MR. JUSTINO UNAMUNO URCELAY	DIRECTOR OF CIE FORGE EUROPE AND CHINA, AND METAL EUROPE
MR. MIKEL FÉLIX BARANDIARAN LANDIN	CHIEF EXECUTIVE OFFICER OF GLOBAL DOMINION ACCESS, S.A.
MR. ZENON VÁZQUEZ IRIZAR	FINANCIAL DIRECTOR
MSS. MARÍA MIÑAMBRES GARCÍA	DIRECTOR OF CORPORATE AUDIT AND MANAGEMENT CONTROL
MR. ANDER ARENAZA ÁLVAREZ	DIRECTOR OF ALUMINIUM AND MACHINING EUROPE AND CEO OF MAHINDRA CIE AUTOMOTIVE LIMITED
MR. JOSÉ LUIS CASTELO SÁNCHEZ	DIRECTOR OF STAMPING MEXICO
MSS. SUSANA MOLINUEVO APELLÁNIZ	DIRECTOR OF INTERNAL AUDIT, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY
MSS. LOREA ARISTIZÁBAL ABÁSOLO	DIRECTOR OF CORPORATE DEVELOPMENT AND INVESTOR RELATIONSHIP
MR. JOSÉ MANUEL ESMORIS ESMORIS	DIRECTOR OF R&D
<b>Total senior management compensation (thousand euros)</b>	<b>3,026</b>

C.1.17 Name any directors who are also directors of companies holding significant interest in the company and/or companies pertaining to its Group:

Name of the Director	Name of the significant shareholder	Position
MR. ANTONIO MARÍA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	CHAIRMAN
MR. FRANCISCO JOSÉ RIBERAS MERA	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.	BOARD MEMBER

Describe any significant relationships other than those contemplated in the previous section between Board of Directors´ Members and significant shareholders and/or companies pertaining to their Group:

C.1.18 Indicate whether any modifications have been made during the year to the Board of Directors´ Regulations:

YES  NO

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing Directors. Describe the competent bodies, procedures to be followed and the criteria applied in each of the procedures.

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders´ Meeting, without prejudice to the power of the Board to designate members by co-optation in the event of vacancies. To this effect, Article 23 of the Articles of Association lays down that:

“4. In order to be appointed a member of the administrative body, it is not required to be a shareholder.

5. The members of the administrative body shall hold office for four years and may be re-elected once or more times for equivalent periods.

6. The members of the administrative body designated by co-optation shall hold their position until the first General Shareholders´ Meeting.

7. The members of the administrative body shall cease to hold office when so decided by the General Shareholders´ Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders´ Meeting is held or once the legal term for holding the Meeting to approve the previous year’s annual accounts elapses.

8. Members of the administrative body shall perform the job and comply with the duties imposed by the Law with the diligence of an organized businessman, considering the nature of the job and the functions attributed to each. In addition, the members of the board of directors shall perform the job with the loyalty of a loyal representative, acting in good way and in the best interest of the Company. The Regulation of the Board of Directors will develop the specific duties for directors from the Law, and particularly, confidentiality and loyalty, paying special attention to situations of conflict of interest.”

Similarly, Article 23 of the regulations of the Board of Directors lays down the following:

“Article 23. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders´ Meeting or by the Board of Directors in accordance with the Law.

2.- The proposal for the appointment and re-election of directors that the Board of Directors submits to the General Shareholders´ Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to, it shall be preceded by the corresponding proposal from the Appointments and Compensation Committee in case of independent directors, or by a report in case of the remaining director. When the Board disagrees with the Appointments and Compensation Committees´ report, it shall set out the reasons for its decision and place them on record.

3. Proposals and reports from the Appointments and Compensation Committee should assess expressly the reputation, suitability solvency, competence, expertise, qualification, training, availability and commitment to its role of the candidates. For this purpose, the Appointments and Compensation Committee will determine estimated time of dedication, in number of annual hours for non-executive directors detailing into the corresponding report or proposal.

4. The Appointments and Compensation Committee shall propose or inform in each case, the assignment of the director to one of the categories specified in the regulation and review it annually.”

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications
Not applicable

C.1.20.bis Describe the assessment process undertaken by the board of directors and the areas evaluated, with the aid of an external facilitator, with respect to the composition, duties and powers of its committees, the performance of the chairman of the board of directors and the company's chief executive officer and the performance and contribution of individual directors.

The Appointments and Compensation Committee conducts an annual evaluation of the performance of individual directors, without being assisted by any external consultant.

C.1.20.ter Explain, if applicable, the business relationship the advisor or any group company maintains with the company or any group company.

Not applicable

C.1.21 Indicate cases in which Directors are obliged to resign.

Article 26 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

“Article 26. Removal of Directors

1. The resignation of one or more of the Directors shall take place in the terms of applicable legislation.
2. Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases:
  - a) In the case of Proprietary External Directors, when he or the shareholder that he represents transfers his shareholding in the company.
  - b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.
  - c) When they are involved in a legal conflict of interest.
  - d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.
  - e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.
  - f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.”

C.1.22 Abrogated section

C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:

YES  NO

If so, explain differences

C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.

YES  NO

C.1.25 State whether the Chairman has a casting vote:

YES  NO

C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:

YES  NO

Age limit for Chair:

Age limit for Director: 65 years old.

Age limit Board Member:

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES  NO

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 22 of the Board Regulations of CIE Automotiva, S.A. reads as follows:

"2. Directors must attend the meetings of the Board of Directors and, if they cannot do it personally, delegate its task to another director, together with appropriate instructions. Non-executive directors may delegate to another non-executive director. It cannot be delegated representation on matters in which the director is in situation of conflict of interest. The proxy shall be given for each meeting of the Board of Directors, and can be communicated through whatever resources set for the meetings."

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

<b>Number of Board meetings</b>	6
<b>Number of Board meetings without the Chair</b>	0



If the President is executive director, indicate the number of meetings held without the assistance or representation of any executive director and chaired the coordinating:

<b>Number of Board meetings</b>	0
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Indicate the number of meetings held during the year by the various Board Committees:

COMMITTEE	No. of Meetings
<b>Audit and Compliance Committee</b>	4
<b>Appointments and Compensation Committee</b>	3
<b>Delegate Executive Committee</b>	3
<b>Corporate Social Responsibility</b>	1

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

<b>Number of Director assistances during the year</b>	6
<b>% Number of assistances compared with the total votes cast during the year</b>	97.43%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES  NO

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.

In accordance with Article 3 of the Audit and Compliance Committee Regulations, the following functions, among others, correspond to the Audit and Compliance Committee:

- "e) Analyze, together with the auditors, the significant weaknesses of the internal control system detected during the audit.
- f) Supervise the process of drawing up and presentation of financial information.
- g) Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.
- h) Oversee Corporate Audit department's activity, which shall functionally answers to the Audit and Compliance Committee.
- i) Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation."

C.1.33 Is the Secretary of the Board a Director? :

YES  NO

If the Secretary have not the condition of director complete the following table:

Name of the Director	Agent
MR. ROBERTO ALONSO RUIZ	

C.1.34 Abrogated section

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 46 of the Regulations of the Board of Directors governs the relationships with external auditors:

"Article 46. Relations with the Auditors

1. The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.
2. The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.
3. Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations."

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES  NO

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES  NO

	Company	Group	Total
Sum of services other than auditing (thousand euro)	77	519	596

<b>Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)</b>	33.05%	19.27%	20.37%
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C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES  NO

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

	<b>Company</b>	<b>Group</b>
<b>Number of consecutive years</b>	15	15
<b>Number of years audited by the present audit firm / Number of years the company has been audited (%)</b>	45.45%	45.45%

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES  NO

**Procedure details**

Article 29 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:

"Article 29. Expert advice.

1. In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.
2. The request must be made through the Chairman of the Board of Directors and may be vetoed by the Board of Directors if it is considered that:
  - a) Such assistance is not required for the adequate performance of the duties with which Directors are charged;
  - b) The related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues;
  - c) The assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company
  - d) May give rise to a risk to the confidentiality of the information that must be disclosed."

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES  NO

**Procedure details**

Article 20.2 Regulations of the Board of Directors establishes the following:

"2. Call of the ordinary meetings shall be carried out by letter, fax, telegram or electronic mail, which will be sent to the President or, in accordance with his instructions, by the Secretary or the Vice Secretary. The call shall be issued in advance according with the Statutes. The call will always include the agenda of the meeting and, if possible, it will be accompanied by relevant information."

Similarly, Article 28 of the Regulations of the Board of Directors lays down the following:

“Article 28. The right to information.

1. The Director may request information that reasonably needs regarding the company, if considered necessary to adequately perform his duties. The right of information should be extended to the Group’s subsidiary companies, whether they are national or foreign.

2. In order not to disrupt the ordinary management of the company, the exercising of the faculties will be channeled through the President who will meet the requests of the Director by releasing the information directly, or identifying the suitable interlocutors of the company, or by arbitrating the measures in order to conduct the desirable procedures of examination and inspection.

3. The Board of Directors may refuse the requested information if, in his judgment, the request could undermine the social interests, all of these without prejudice to the provisions of the Spanish Companies Law.”

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company’s reputation:

YES  NO

**Explain the rules**

In accordance with the established in Article 26.2. of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities.

C.1.43 Indicate whether the Company has been notified by any director that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES  NO

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

**Number of beneficiaries: 1**

**Type of beneficiary:**

**Description of the arrangement:**

Chief Executive Officer Agreement including an early termination provision, which complies with the quantitative criterion set out in recommendation 64.

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

	Board of Directors	General Shareholders Meeting
<b>Board authorizing clauses</b>	<b>YES</b>	<b>NO</b>

	YES	NO
Is the General Meeting reported about the clauses?		X

## C.2 Committees of the Board of Directors

C.2.1 List all the Board of Directors' Committees, its members and the ratio of proprietary and independent external directors that form it:

### AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
MR. CARLOS SOLCHAGA CATALÁN	CHAIRMAN	INDEPENDENT
MR. ÁNGEL MANUEL OCHOA CRESPO	BOARD MEMBER	INDEPENDENT
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	PROPRIETARY
<b>% of proprietary directors</b>		33.33%
<b>% of independent directors</b>		66.67%
<b>% of other external directors</b>		0.00%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

The procedures and rules regarding the organization of the Commission are included in the corresponding regulations, which is available within the corporate website: <http://www.cieautomotive.com/investors-website/comisiones-del-consejo-de-administracion>. With respect to its duties, the Audit and Compliance Committee has the task of attending the Board of Directors of the Company in monitoring financial statements as well as in carrying out control of CIE Automotive, S.A. and companies that are part of the Group.

The Commission tasks are as follows:

- Review periodically risk policies and propose the amendment and update to the Board of Directors.
- Approve policies relating to the employment of the auditor.
- Inform the General Shareholders' Meeting regarding the issues raised by shareholders regarding its competency.
- Monitor the internal control effectiveness of the Company and the Group, as well as its risk management systems, including tax.
- Analyse, together with the auditors, significant weaknesses of the internal control system detected during the audit.
- Supervise the process of the preparation and presentation of financial information.
- Propose the appointment or replacement of the external auditors to the Board of Directors for its submission to the General Shareholders' Meeting, as well as the conditions the agreement with the auditors under the regulations applicable and regularly receive information about audit plan and its performance, as well as preserve their independence in the performance of their duties.
- Monitor the activity of Internal Audit, which will depend on the Audit and Compliance Committee.
- Establish appropriate relationships with the auditors to receive information of any issues that may put at risk their independence, for its consideration by the Commission and any others related to the development process of the audit, as well as other communications envisaged in the audit legislation statements and in other auditing regulations.

In any case, it shall receive annually from the auditors a confirmation of their independence in relation to the Company or subsidiary companies with direct or indirect interest, as well as information about additional services provided and the fees received from these entities by the auditors or by people or companies involved to these in accordance with auditing legislation.

j) Annually issue, prior to the auditors report, a declaration stating an opinion regarding the independence of the auditors. In any case, this report shall mention the additional services delivered referred to in the previous section, under the terms established by law.

k) Inform the Board of Directors regarding the financial information, which because of its condition as a listed company, the Company must public periodically and must ensure that the interim financial statements are prepared under the same accounting principles as the annual accounts and consider the necessity of a limited review by the auditor.

l) Inform the Board of Directors, prior to the decision making, of the creation or acquisition of shares in special purpose companies or those domiciled in countries or territories considered tax havens, and any other transactions or operations whose complexity might affect to the Group's transparency.

m) Other functions that might be agreed by the Board of Directors of the Company.

Identify the Director Member of the audit committee that has been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this Committee has been in office.

Name of Director with expertise	MR. CARLOS SOLCHAGA CATALAN
Number of years in office	2

#### APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	INDEPENDENT
MR. CARLOS SOLCHAGA CATALÁN	BOARD MEMBER	INDEPENDENT
MR. FRANCISCO JOSÉ RIBERAS MERA	BOARD MEMBER	PROPRIETARY

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other external directors	0.00%

Explain the committee's duties, describe the procedures and organisational and operational rules and summarise the main actions taken during the year.

The procedures and rules regarding the organization of the Commission are included in the corresponding regulations, which is available within the corporate website: <http://www.cieautomotive.com/investors-website/comisiones-del-consejo-de-administracion> With respect to its duties, the Appointment and Remuneration Committee is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain. In this sense, the Commission tasks are as follows:

- Propose to the Board of Directors the remuneration policies for directors and senior executive and review them periodically, proposing, if necessary, its amendment and updating to the Board of Directors.
- Report and review the criteria to be followed regarding the composition of the Board of Directors and the selection of candidates, and in particular, the required skills, knowledge and experience as well as the evaluation of the time and devotion required in order to perform correctly their duties.
- Ensure that when there are new vacancies or the appointment of new directors, there are no bias within the selection procedures, and particularly, ones that might obstruct the selection of a female director.
- Set up a goal of representation for the under-represented sex on the Board of Directors and develop guidance on how to achieve that objective.
- Submit to the Board of Directors suggestions for the appointment of independent directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders; suggest for re-election or removal of such directors by the General Meeting of Shareholders; and inform about the separation proposals of such directors made by the Board of Directors.
- Report the suggestions for the appointment of the remaining directors to be appointed by co-optation or for their submission to the decision of the General Meeting of Shareholders, as well as suggestions for re-election or removal of such directors made by the General Meeting of Shareholders.
- Report or draw up proposals for the appointment of internal positions of the Board of Directors, as well as members who should form part of each committee.

- h) Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the Company and in this case, where appropriate, make suggestions to the Board of Directors so that such succession occurs in an ordered and planned way in accordance with succession plan approved by the Board of Directors.
- i) Suggest to the Board of Directors the system and the amount of annual remuneration of directors, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any eventual allowance or compensations that may be established in case of separation, in accordance with the directors remuneration policy that has been approved by the General Meeting of Shareholders.
- j) Monitor the candidates' selection process for senior executives of the Company and report the proposals made by the Chief Executive Officer of the Company concerning the appointment or removal of senior managers.
- k) Report and submit to the Board of Directors proposals made by the Chief Executive Officer of the Company related to the structure of remuneration of senior managers and the basic terms of their contracts.
- l) Ensure that remuneration programs of the Company are compliance, and inform about the documents to be approved by the Board of Directors for its general dissemination with regard to information of remuneration, including the Annual Report on Remuneration paid to the Directors and sections corresponding to the annual Corporate Governance Report of the Company.
- m) Other functions that might be agreed in the Company's' Board of Directors.

#### **DELEGATED EXECUTIVE COMMITTEE**

Name	Position	Type
MR ANTONIO MARÍA PRADERA JAUREGUI	CHAIRMAN	EXECUTIVE
MR. FERMIN DEL RIO SANZ DE ACEDO	BOARD MEMBER	EXECUTIVE
MR. JESUS MARÍA HERRERA BARANDIARAN	BOARD MEMBER	EXECUTIVE
MR. FRANCISCO JOSE RIBERAS MERA	BOARD MEMBER	PROPRIETARY
ELIDOZA PROMOCION DE EMPRESAS, S.L.	BOARD MEMBER	PROPRIETARY

<b>% of executive members</b>	60.00%
<b>% of proprietary directors</b>	40.00%
<b>% of independent directors</b>	0.00%
<b>% of other external directors</b>	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

According to Article 16 of the Regulations of the Board of Directors, as delegated by the Board, and as a permanent institution, the Executive Committee will have -unless the Board of Directors determines other thing- all the powers inherent to the Board of Directors, except for the ones that are legally or statutory undelegated powers and the specifically reserved for the Board of Directors.

The Executive Committee shall meet at least once a month and others if it is deemed appropriate by the Chairman, who may also suspend one or more of the ordinary meetings when he deems appropriate in its sole judgment. At the same time, it will also meet when it is requested by two of the directors of the Commission. The Executive Committee shall deal with all matters within the competence of the Board, that in consideration of the Commission, should be resolved without further delay, with the only exceptions of accountability, the presentation of balance sheets at the General Meeting, the powers which are given to the Board without the power of delegation and the Board of Directors' powers that are legally or statutory non-transferable.

Indicate whether the delegate or executive committee reflects the participation on the board of the different directors according to their category:

YES  NO

#### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

Name	Position	Type
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L.	CHAIRMAN	PROPRIETARY

Name	Position	Type
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	BOARD MEMBER	PROPRIETARY
ADDVALIA CAPITAL, S.A.	BOARD MEMBER	PROPRIETARY

% of proprietary directors	100.00%
% of independent directors	0.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organisational and operational rules and summarise the main actions taken during the year.

The procedures and rules regarding the organization of the Commission are included in the corresponding regulations, which is available within the corporate website: <http://www.cieautomotive.com/investors-website/comisiones-del-consejo-de-administracion> With respect to its duties, the Corporate Social Responsibility Committee is an informative and advisory internal body, without executive functions, with faculties to obtain information, advisory and proposals within its domain. In this sense, the Corporate Social Responsibility Committee tasks are as follows:

- Review periodically the corporate governance policies and propose to the Board of Directors, for approval or submission to the General Meeting of Shareholders, amendments and updates that contribute to its development and continuous improvement.
- Boost strategy of corporate governance and Company's sustainability.
- Monitor the compliance of legal requirements and standards of corporate governance.
- Know, promote, guide and monitor performance of the Company in the area of corporate social responsibility and sustainability and report to the Board of Directors and the Executive Committee, as appropriate.
- Evaluate and revise the company policies of social responsibility plans and follow up their compliance.
- Report on the implementation by the foundational entities related to the Group's activities of public interest and corporate social responsibility entrusted to them.
- Report prior to its approval, the Annual Report of Corporate Governance of the Company, gathering for this purpose the reports issued by the Audit and Compliance Committee and the Appointments and Compensation Committee, regarding with the sections of the report that fall within their competence, and if it is published, the report or annual sustainability memorandum.
- Promote within the Company the existence of a Code of Ethics; propose its approval to the Board of Directors and its subsequent amendments, as well as promoting any relevant issue regarding the knowledge and compliance with the Code of Ethics.
- Review policies and internal procedures of the Company in order to prove their effectiveness in preventing inappropriate behaviors and identify any policies or procedures that are more effective in promoting the high ethical standards.
- Other functions that might be agreed on the Board of Directors of the Company.

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

	Number of female directors							
	Year ended 2016		Year ended 2015		Year ended 2014		Year ended 2013	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	1	33.00%	2	50.00%	2	66.00%	1	33.00%
APPOINTMENTS AND COMPENSATION COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
DELEGATED EXECUTIVE COMMITTEE	1	20.00%	1	20.00%	1	16.00%	1	16.00%
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	2	66.00%	2	66.66%	-	-	-	-

C.2.3 Abrogated section

C.2.4. Abrogated section



C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

Each of the Board of Directors Committees described in the previous paragraphs have its own regulations. These are available within the corporate website: <http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion>. There have not been modifications to these regulations during this year. The Audit and Compliance Committee has prepared the corresponding report related to its activities during 2016.

C.2.6 Abrogated section

## **D. RELATED PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

### **Procedure for approval of transactions with related parties**

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the Board of Directors or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders:

<b>Name of Significant Shareholder</b>	<b>Group Company</b>	<b>Nature of the Relationship</b>	<b>Type of Transaction</b>	<b>Amount (thousand €)</b>
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Sale of goods	137,789
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Purchase of goods	22,686
MAHINDRA & MAHINDRA LTD	MAHINDRA CIE AUTOMOTIVE LTD	Commercial	Reception of services	2,524

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

<b>Name of Directors</b>	<b>Name of Related Party</b>	<b>Link</b>	<b>Type of transaction</b>	<b>Amount (thousand €)</b>
MR. JESÚS MARÍA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S.A.	Contractual	Financing agreements: loans	455
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	MAHINDRA CIE AUTOMOTIVE LTD	Contractual	Sale of goods or not	8,010
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Sale of goods or not	18,674
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	CIE AUTOMOTIVE MEXICO	Contractual	Purchase of goods or not	5,786

- D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered as a tax haven will be informed:

**Corporate name of the group company:**

CIE BERRIZ, S.L.

**Amount (thousand euros):** 27,209

**Brief description of the operation:**

CIE BERRIZ, S.L. proceeded to lend to the subsidiary of MAHINDRA CIE AUTOMOTIVE Limited in Mauritius, Mahindra Gears Global Limited. The purpose of this funding is that the company could underwrite a capital injection in its Italian subsidiary, METALCASTELLO Spa. The debt under this funding amounts to EUR 27.2 million.

It should be noted that the company Mahindra Gears Global Limited is a company that was included in the scope of CIE Automotive, S.A. as a result of integration of the companies in the Mahindra Group. In accordance with the best practices, the procedures required to eliminate this company are under way (it will be an acquisition by reverse merger carried out by Metalcastello Spa).

- D.5 Provide the amount of transactions with other related parties.

6,504 (thousand euros)

- D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 34 of the Regulations of the Board of Directors lays down the following:

"Article 34. - Conflicts of Interest.

1. Directors must take necessary measures to avoid incurring conflicts of interest in accordance with the established by law.

2. A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person. For the purposes of these Regulations, persons related to a Director are considered to be:

1º.- The Director's spouse or persons with a similar relationship.

2º.- Ascendants, descendants and siblings of the director or his/her spouse.

3º.- The spouses of the director's ascendants, descendants and siblings.

4º.- Companies in which the director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related people are considered to be the following with respect to a legal person director:

1º.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

2º.-De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.

3º.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.

4º.- Individuals who, with respect to the legal person director, are considered to be related to the directors in accordance with this section.

3. The following rules will be applicable to conflict of interest situations:

- a) Communication: the director must report to the Board of Directors and the Audit and Compliance Committee, through the Chairman or the Secretary, any conflict of interest that arises.
- b) Abstention: the director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Proprietary external directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.
- c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving directors that has been reported by the affected party or by any other means.”

#### D.7 Are more than one of the Group's companies listed in Spain?

YES  NO

Identify the subsidiaries listed in Spain:

#### Subsidiary listed

GLOBAL DOMINION ACCESS, S.A.

Indicate if they have defined publicly accurately the respective areas of activity and eventual relations of business between them, as well as those of the listed subsidiary company with other group companies;

YES  NO

**Define the eventual relations of business between the head company and the listed subsidiary company, and between this one and other group companies.**

No relation of business exist.

Identify the mechanisms planned to solve the eventual conflicts of interests between the listed subsidiary and other group companies:

**Mechanisms to solve the eventual conflicts of interest**

No eventual conflicts of interest. In any case, to avoid conflicts of interest, people who occupies the charge of Director in both CIE Automotive, S.A. and Global Dominion Access, S.A. (and persons related to them) perform their obligations arising from the articles 228 and 229 of the Spanish Companies Law.

## **E. RISK CONTROL AND MANAGING SYSTEMS**

### E.1 Explain the scope of the Risk Management System of the Company.

CIE Automotive, S.A. is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one.

Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee.

The overall process for managing corporate risks at CIE Automotive, S.A. is based on the ISO 31000 method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

- I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives.
- II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls.
- III. Establish a response to each one.
- IV. Monitor the action taken.
- V. Report the results of the analysis performed.

## E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:

Responsibility for implementing the risk management system, including tax, lies on the Board of Directors, which relies specifically on the Audit and Compliance Committee for its monitoring and proper operation. The risk management policy of CIE Automotive, S.A. requires all business divisions to identify and assess the risks that must face up when achieving their business objectives in order to identify in advance the appropriate mitigating measures to reduce or eliminate the probability of risk occurrence and / or its possible impact on the goals in case they materialize.

## E.3 Describe the main risks that may affect the achievement of business objectives.

In the course of its business, CIE Automotive, S.A. is exposed to a variety of inherent risks in the different lines of business that develops and in countries in which they are held. On the other hand, the different levels of socioeconomic uncertainty that exists in the markets in which CIE Automotive, S.A. operates can make appear risk factors currently unknown or not considered as relevant, that could potentially affect the business, performance and / or the financial position of the company. Are detailed briefly the main risks, which CIE Automotive, S.A. faces in its business objectives:

### a) Management risk

- Regulatory risks: arising from the Securities Market rules, the law for the data protection, the feasible changes in the tax legislation (national and international); and the civil responsibility for integrity of the heritage.
- Financial risks: debt levels, liquidity risk, risks arising from fluctuations in exchange rates, risks arising from changes in interest rates, risks arising from the use of financial derivatives and investment risk.
- Information risks: as much as reputational risk that can affect the image of CIE Automotive, S.A. or risk related to transparency and relationship with analysts and investors.

### b) Business risks: Are those that specifically affect each business and depend on the singularity of each activity.

- Operational risks: Risks relating to recruitment and customer relationships, product quality, environmental, purchasing and outsourcing.
- Non-operational risks: Risks related to the prevention, security and health in work, human resources, specific tax applicable to business, the reliability of the accounting and financial information and financial resources and debt management.

For more information regarding the risks and management measures, see the Annual Report 2016.

## E.4 Identify whether the entity has a level of risk tolerance, including tax

The Board of Directors approves the acceptable level of risk for each type of risk, type of business and location, as well as levels of allowed deviation based on the strategic objectives and the strategic lines to achieve them. The levels of acceptable risk are regularly updated accordingly with changes in corporate strategy and risk profile business.

Annually the risks that threaten the achievement of the business objectives are identified, including tax risk, and they are valued based on their potential impact on financial results and their probability of occurrence. The combination of the impact and the probability of occurrence determine the severity of the risk.

## E.5 Indicate which risks, including tax, have been materialized during the year.

During the year 2016 actions related to the review and definition of the map risk have been taken what has improved the policies related to the detection and minimization of the existing risks. Thanks to the policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by the Compliance department and the rest of divisions, having the control systems worked adequately and not having produced any significant impacts on the consolidated financial statements of 2016.

## E.6 Explain the response and supervision plans held for the company's major risks, including tax.

CIE Automotive, S.A.'s geographical diversification and business, together with the high operational decentralization that characterizes the organization, requires the availability of a system of control and supervision of risks. Corporate risk management system is also supported by each business unit, in which each management level is responsible for the compliance with internal rules and procedures.

The evaluation and verification of their effectiveness is performed periodically by Compliance department, which also contributes to the management of the overall risks that CIE Automotive, S.A. faces in the compliance of its targets. Alerts, recommendations and conclusions generated are communicated to CIE Automotive, S.A. management.

For the development of its functions, the Compliance department has qualified and experienced personnel, independent of the business lines staff.

Among the measures taken by CIE Automotive, S.A. for monitoring risks, include:

- Setting goals, strategic guidelines and internal regulations (policy, standards, procedures and manuals).
- Definition, monitoring and continuous evaluation of the design and performance of internal control systems and compliance.

In this regard, during the process of the elaboration of the Risk Map 2016, the Company has worked on the identification of new responses and consolidation lines, for the most relevant risks for the company. It is important to highlight that CIE Automotive, S.A. has units of analysis, monitoring and control in various areas of management risks, such as:

- Financial risk assessment and management
- Safety and environmental standards
- Corporate Social Responsibility
- Reporting and tax risks
- Risks and continuity information systems
- Insurance

## **F. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.**

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

### **F.1 Company control environment.**

Report, noting the main features of at least:

- F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognized corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the Company's internal control system (hereinafter the SICFR).

The CIE Automotive, S.A. Audit and Compliance Committee is the body responsible for the supervision of the efficacy of the SICFR, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit.

The Audit and Compliance Committee is supported by the Compliance Department to perform these functions, being responsible for the implementation of SICFR and in general, the whole internal control system of CIE Automotive, S.A., ensuring the definition and design of the control procedures which should be implemented in the company's operational planning, compliance with legal regulations, internal policies and procedures.

- F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with: (i) the design and review of the organizational structure, (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions, (iii) ensuring that there are sufficient procedures correctly disseminated within the Company.

The Board of Directors is the ultimate body responsible for defining and periodically reviewing the organizational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources. With regard to the process of the preparation of financial information, there exists a global interrelated financial department which depends on the departments of Audit and Control Management and the Department of Treasury and Finance.

The responsibilities and functions of all people directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

There are internal protocols, which guarantee that information on any change that is taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this aspect.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analyzing breaches of such code and proposing corrective action and penalties.

CIE Automotive, S.A. currently has an "Internal Code of Professional Conduct" and an "Internal Regulations on Conduct in relation to Securities Markets". Both documents are published on the corporate website and are distributed to all affected personnel through the communication channels established for this purpose. In either cases, the body responsible for their definition and approval is the Board of Directors.

The Internal Code of Professional Conduct lays down some basic rules and principles whose purpose is to ensure that there is a commitment and transparency in relations and operations with customers, suppliers and employees, the maximization and protection of shareholders' investments and the safeguarding of health, security and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees. It exists a specific section on the reliability of financial information, where there is laid down a series of specific rules applicable to all people involved in the process for the preparation of financial information.

The functions of the Corporate Social Responsibility include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organization, indicating, where appropriate, the confidential nature of such information.

CIE Automotive, S.A. has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the "Internal Code of Professional Conduct" or in the "Internal Regulations on Conduct in relation to Securities Markets".

There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, being always guaranteed the whistleblowers' confidentiality, in case he wants, and a protocol for action for analysis of complaints received, and reported to the Corporate Social Responsibility for monitoring.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

As well as a variety of staff training programs, CIE Automotive, S.A. has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information.

- There is an Accounting Policies Manual, which is updated on an on-going basis.
- There is an Accounting and Management control department, whose tasks is to resolve any doubts regarding the interpretation of the Manual Accounting Policies, and provide advice regarding the treatment of complex transactions.
- There are divisional/regional controllers who are involved in the support provided to all people forming part of the financial function at all the Group's plants and companies, through on-going internal assessment and training.

- When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group's standards and criteria.
- Advice is received from external advisors in relation to changes in accounting, legal and tax rules, which may affect the Company.

## F.2 Risk assessment of financial information.

Report at least:

### F.2.1. What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

The process of identification and assessment of financial information risks forms part of CIE Automotive, S.A.'s global Corporate Risks Management process. It is based on the ISO 31000 methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar. The risk management process is based on a continuous cycle comprising five phases:

- I. The identification of key risks, which may affect the fulfilment of the Organization's objectives, including all financial information control objectives.
- II. The evaluation of such risks based on the probability of occurrence and their impact on the organization, and based on the existence of controls.
- III. Determination of the required response for each such risk.
- IV. Monitoring of the agreed courses of action; and
- V. reporting of the results of the analysis made.

The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Compliance department acting as coordinator in this process. The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks. The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Compliance department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information, which may have a material impact on its reliability.

The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year, which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialized management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

As it has been mentioned above, the model is based on the ISO 31000 methodology that taking as its starting point the Organizations' objectives, results in a Risk Map that is updated annually, monitoring among others, financial risks, tax and legal and those from different typology (operational, strategic, compliance, environmental, Corporate Social Responsibility, fraud, etc.).

- The governing body, which supervises the process.

This entire process is reviewed and approved by the Audit and Compliance Committee, which is the body, which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient.

### F.3 Control activity.

Report, noting their main features, if you have at least:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

The Management Board is the highest responsible body for approving and monitoring the Group's financial statements. The Group sends quarterly information to the stock market. This information is prepared by the Audit and Management Control department, which performs a number of control activities during the closing accounting period to ensure reliability of financial information.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE Automotive, S.A. has control procedures and activities taking place in other key areas of the company which purpose is to ensure that transactions are properly recorded, measured, presented and broken down, and accordingly to prevent and detect fraud and thus cover all transactions that could materially affect the CIE Automotive, S.A.'s financial statements. The key processes of the company, including closing, for which have been defined risk and control matrices, are as follows:

1. Closing, consolidation and reporting
2. Property, plant and equipment
3. Financial assets and liabilities
4. Inventories
5. Revenue/Account receivable
6. Treasury
7. Accruals
8. Cost of sales/Account payable
9. Human Resources
10. Tax

The financial statements are prepared based on a reporting schedule and deadlines, known by all participants in the process, taking into account the time for legal delivery.

Furthermore, and for the review of judgments, opinions, assessments and projections, the Manual of Accounting Policies defines the criteria for CIE Automotive, S.A.'s existing application approach.

The aforementioned significant transactions are reviewed by the company's Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and accounting judgments used in the preparation of financial information), once the Audit and Compliance Committee has confirmed that the information is adequate.

F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.



CIE Automotive, S.A. has internal control policies and procedures in place in respect of information systems, which support its significant processes, including the process for the preparation and review of financial information. This policy and framework policy is based on a catalogue of international standards ISO 27000.

CIE Automotive, S.A. uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE Automotive, S.A. identifies the systems and applications, which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those, which are used directly in the preparation of financial information, and those, which are relevant to the efficacy of controls, which reduce the risk of misstatement in such information.

CIE Automotive, S.A. has a "Security Policy Systems" defined at the corporate level aimed at achieving the security objectives identified. The objective is to adopt the pertinent measures of an organizational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes.
- Back-up and recovery.
- Physical security.
- Control of subcontractors.
- Provision of resources, risk purging and business maintenance.

Critical business processes for CIE Automotive, S.A. have different organizational and technological solutions that guarantee business continuity.

### F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts, which may have a material impact on the financial statements.

In general, CIE Automotive, S.A. does not outsource any activities considered relevant that could affect substantively to financial information. In any case, CIE Automotive, S.A. has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties, which have a significant impact on the financial information prepared by CIE Automotive, S.A.

Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of the Group is the Information Systems area. In this respect, CIE Automotive, S.A. has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE Automotive, S.A. (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within CIE Automotive, S.A., specific monitoring work being required to guarantee their reliability.

## F.4 Communication and information.

Report, noting their main features, if you have at least:

### F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of Accounting Policies is assumed by the Audit and Compliance department, which depends directly from the Chief Executive Officer.

In performing this function, the department assumes the following responsibilities:

- Maintenance and dissemination of CIE Accounting Policy Manual (Continuous Update) to other Group companies.
  - Update any changes in accounting rules applicable to all members of the finance function of CIE.
  - Resolution of disputes that may arise (individually or in a consolidated level) in the interpretation of the rules to be applied.
- Mechanisms for capturing and preparing financial information homogeneously.

#### F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE Automotive, S.A. has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information homogeneously. This system is also used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the collection of the ICFR information, CIE is involved in the implementation process of SAP GRC tool in all Group units.

### F.5 System performance monitority.

Report, noting its main features, at least:

#### F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

The Audit and Compliance Committee has the following oversight responsibilities of ICFR:

- Supervision of periodic financial information.
- Monitoring and evaluation of the operation of ICFR.
- Knowing the financial reporting process and internal control systems associated with significant risks of company.
- Periodically review internal control and risk management systems, so main risks are identified, managed and properly disclosed.

CIE Automotive, S.A. has a Corporate Internal Audit Department, which depends on the Compliance department and this in turn to the ACC, which coordinates the Internal Auditing teams in Europe, Mexico, Brazil and India whose members are exclusively dedicated to these functions. The main function of the Internal Audit Department is overseeing the internal control system, within which there are included issues such as supervision of the correct implementation of the risk management system, in which it is also included the managing of the risk of fraud, and controls aimed at reliability of financial information.

Based on the results of the risk assessment, the Internal Audit department prepares an annual plan of CIEs' ICFR, to be submitted in each period for approval by the Audit and Compliance Committee responsible for overseeing the ICFR. The information to be provided to the market or stakeholders about ICFR will have an annual basis and shall cover the period of the corresponding financial report.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the Audit and Control Committee. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE Automotiva, S.A. has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

#### F.6 Other relevant information.

Not applicable.

#### F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotiva, S.A. has submitted to an External Auditor the effectiveness of internal control system on the Financial Reporting (ICFR), in relation to the financial information contained in the Groups' consolidated annual accounts at December 31, 2016.

A copy of the opinion of the External Auditor is attached.

### **G. COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation will not be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Comply  Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

Comply  Partially comply  Explain  Not applicable

3. During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Comply  Partially comply  Explain

The framework of normal running of the General Shareholders' Meeting, we inform those of the relevant circumstances occurred since the last meeting, including, issues of corporate governance (i.e. adoption of new Board of Directors regulation, creation of the Corporate Social Responsibility Committee, etc.).

However, it is not considered important to emphasize why the CIE Automotiva, S.A. does not follow any specific recommendation to the extent that (i) no circumstances seem sufficiently relevant, and (ii) those circumstances, if appropriate, are included in the Annual Corporate Governance Report, (to which shareholders have access)

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Comply  Partially comply  Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Comply  Partially comply  Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the appointments and remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Comply  Partially comply  Explain

CIE Automotive, S.A. does not usually publish these reports on the website, since according to the characteristics of the Company it does not seem relevant; nevertheless, CIE Automotive, S.A. will assess this recommendation in the search for a more complete construction of its corporate governance.

7. The company should broadcast its general meetings live on the corporate website.

Comply  Explain

Given the characteristics of CIE Automotive, S.A. shareholders, and in light of the assistance to the Boards, CIE Automotive, S.A. does not consider relevant live broadcast of the Shareholders General Meeting through its website.

8. The Audit committee should strive to ensure that the board of directors could present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Comply  Partially comply  Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Comply  Partially comply  Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Comply  Partially comply  Explain  Not applicable

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Comply  Partially comply  Explain  Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Comply  Partially comply  Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Comply  Explain

14. When The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Comply  Partially comply  Explain

Given the usual lack of vacancies in the Board of Directors, it does not exist such a policy for the selection of directors, without prejudice that prevail the fulfilment of the required objectives by this recommendation in the Board of Directors' decisions in the context of the various appointments.

15. The Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Comply  Partially comply  Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Comply  Explain

In line with paragraph (b) of this recommendation, CIE Automotive, S.A. has a number of significant shareholders represented in the Board of Directors, without any relationship. CIE Automotive, S.A. will assess this recommendation in the search for a more complete construction of its corporate governance.

#### 17. Independent directors should be at least half of all directors

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 per cent of capital, independent directors should occupy, at least, a third of board places.

Comply  Explain

CIE Automotive, S.A. believes that the number of independent directors reflects correctly the current shareholding composition of the company. The Board of Directors has the intention to propose to the General Shareholders' Meeting the appointment of new independent directors if this membership varies significantly.

#### 18. The Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a directors and subsequent re-elections.
- e) Shares held in the company, and any options on the

Comply  Partially comply  Explain

Documents relating to the General Shareholders' Meeting, including detailed proposals for resolutions to be adopted, are made available to shareholders from the time of the announcement, as well as on the website of CIE Automotive S.A. and the Shareholder Forum.

As for the content of information that refers to the directors Recommendation 18, the information contained in the Corporate Social Responsibility annual report (which is accessible at all times from the website) is sufficient for the purposes proposed and in relation to the profiles of the members of the Board of Directors.

#### 19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Comply  Partially comply  Explain  Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Comply  Partially comply  Explain  Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a director, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Comply  Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Comply  Partially comply  Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Comply  Partially comply  Explain  Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.



Comply  Partially comply  Explain  Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of director's regulations should lay down the maximum number of company boards on which directors can serve.

Comply  Partially comply  Explain

With regard to the second point of the recommendation, as a result of the composition of the Company's Board of Directors, it is not needed to include those obligations to its members.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Comply  Partially comply  Explain

For the purposes of the proper functioning of the Board of Directors, it is not understood that it is necessary to hold eight sessions in a year (in 2016, 6 meetings have been held).

27. Companies Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Comply  Partially comply  Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Comply  Partially comply  Explain  Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Comply  Partially comply  Explain

30. Companies Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Comply  Explain  Not applicable

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Comply  Partially comply  Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Comply  Partially comply  Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Comply  Partially comply  Explain

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chairman the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Comply  Partially comply  Explain  Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Comply  Explain

36. In The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Comply  Partially comply  Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Comply  Partially comply  Explain  Not applicable

The Executive Committee reflects a composition that it is considered appropriate to the functions assigned to it.

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all directors should receive a copy of the committee's minutes.

Comply  Partially comply  Explain  Not applicable

Given the functions of the Executive Committee and its essential task of monitoring the business, it is not necessary to bring minutes of the Executive Committee to the rest of the Board of Directors.

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Comply  Partially comply  Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Comply  Partially comply  Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Comply  Partially comply  Explain  Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Comply  Partially comply  Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Comply  Partially comply  Explain

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Comply  Partially comply  Explain  Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off- balance-sheet risks.
- b) The setting of the risk level that the company deems acceptable.

- c) Measures in place to mitigate the impact of risk events should they occur.
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Comply  Partially comply  Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Comply  Partially comply  Explain

47. The Appointees to the appointments and remuneration committee - or of the appointments committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Comply  Partially comply  Explain

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Comply  Explain  Not applicable

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Comply  Partially comply  Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Comply  Partially comply  Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Comply  Partially comply  Explain

52. The terms of reference of supervision and control committees should be set out in the board of director's regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all directors.

Comply  Partially comply  Explain  Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Comply  Partially comply  Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Comply  Partially comply  Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Comply  Partially comply  Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Comply  Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply  Partially comply  Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short-, medium- and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Comply  Partially comply  Explain  Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Comply  Partially comply  Explain  Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Comply  Partially comply  Explain  Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Comply  Partially comply  Explain  Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Comply  Partially comply  Explain  Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Comply  Partially comply  Explain  Not applicable



64. In addition, the Bank has adopted a policy on the application of malus clauses in the field of remuneration. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Comply  Partially comply  Explain  Not applicable

The agreement between the chief executive officer of Global Dominion Access, S.A. and said company includes a provision granting a compensation in case of early termination that does not strictly comply with the second part of the recommendation.

## **H. OTHER INFORMATION OF INTEREST**

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.
2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

On 10/15/2015, CIE Automotive, S.A. adhered to the Global Compact, which is an international initiative that promotes implement 10 Principles universally accepted to promote corporate social responsibility (CSR) in the areas of Human Rights, Labor Standards, Environment and Anti-Corruption in the activities and the business strategy of the companies.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/27/2017.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES  NO

CIE Automotive, S.A.

Report of the auditor  
On the "Information relating to the  
Internal Financial Reporting Control System"  
(IFRCS)



(Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails)

## REPORT OF THE AUDITOR RELATING TO THE INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)

To the Directors of CIE Automotiva, S.A.:

At the request of the Board of Directors of CIE Automotiva, S.A. ("the Entity") and pursuant to our letter of proposal dated 13 December 2016, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotiva, S.A. for 2016, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable - not absolute - degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal financial reporting control system.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2016 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law, we do not express an audit opinion in the terms envisaged in said Law.



The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 7/2015 dated 22 December 2015.
2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.
3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.
4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.
6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotiva, S.A. for FY 2016, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by the article 540 of the Capital Companies Law and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013, which has been modified by Circular 7/2015 issued by the National Securities Market Commission dated 22 December 2015, for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo

27 February 2017