

NON FINANCIAL INFORMATION STATEMENT

2018 ANNUAL REPORT

2018 Annual Report

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1. Chairman and CEO's statement

[102-14]

Dear friends,

This Annual Report attempts to summarise CIE Automotive's performance in 2018, another year of sustainable and profitable growth in which we had the honour of being added to Spain's blue chip stock index, the IBEX-35. That development is tantamount to acknowledgement of our track record and brings us greater visibility in the market, particularly vis-a-vis important international investors.



In 2018, automotive revenue reached a record €3.03 billion, while recurring net profit continued to climb, to €243 million, which is a significant 20% more than in 2017.

Thanks to these strong results, the company's shareholders saw their cash dividends increase by 37%. They also received an in-kind dividend consisting of shares of Global Dominion, a company CIE Automotive exited in 2018, as was always planned. We wish that company the very best going forward.

> **«We managed to continue to post growth quarter after quarter and end the year with a new set of record earnings.»**

These figures, which stack up well on their own, are even more remarkable in light of the macroeconomic uncertainty and sector turmoil in which they were achieved: an economic slowdown in China; protectionist threats in the US; new emissions regulations in Europe; lower production estimates, etc. However, it is in times of trouble that CIE Automotive demonstrates the solidity of its business model; thanks to our geographical, technological and customer diversification and our financial discipline, among other strengths, we managed to continue to post growth quarter after quarter and end the year with a new set of record earnings.

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In September 2018, we agreed to acquire Inteva's roof systems division, a giant in this segment with sales of approximately $1 billion. That acquisition, the largest in our history, makes us the number-three supplier of roof systems worldwide and puts us in a privileged position in one of the sector's most promising niches.

Meanwhile, we continued to build a number of greenfield projects, particularly in markets with high growth potential such as Mexico, Brazil and India. By way of illustration, this strategy crystallised in a 5% increase in our shareholding in the Mahindra CIE group, the start-up of a factory in Puebla (Mexico) and the incorporation of a new company, Autometal Minas (Brazil).

«We are in a position to reiterate our guidance for 2020.»

Highlights on the corporate finance front included the arrangement of a €150 million loan with IFC/EDC to fund our growth in Mexico and another €80 million loan from the EIB to fund our R&D programme in Europe. In addition, we registered our first promissory note issue, raising €200 million which we will use to finance working capital.

In this context of adverse external factors but rock solid company fundamentals, we are in a position to reiterate our guidance for 2020, specifically for net profit of €300 million that year, which would imply significantly outperforming the market's growth during the five years of the Business Plan and once again generating significant value for our shareholders.

«In each of those markets we are striving to act as agents of social development, framed by the commitments assumed as signatory of the United Nations Global Compact and in the new Strategic Corporate Social Responsibility Plan.»

Beyond our earnings performance, we feel proud of the value we have generated for society in the 17 countries we do business in. In each of those markets we are striving to act as agents of social development, framed by the commitments assumed as signatory of the United Nations Global Compact and in the new Strategic Corporate Social Responsibility Plan set in motion during the year.

Our 98 production facilities and 7 research centres employed over 23,000 people who encounter in our company a place to develop their capabilities to the full in a safe and protected environment.

Our suppliers, the large majority of which local, invoiced us 9% more in 2018. We strengthened our ties with them by launching a Suppliers Portal which facilitates access to our supply chain and enables us to control their value propositions better.

The total quality we offer was once again endorsed by our Tier-1 supplier and OEM customers. To maintain our quality edge, we invested €120 million in upgrading and expanding our production facilities and we devote nearly 2% of revenue to R&D projects every year.

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We also act as agents of social development by paying taxes and carrying out community work. Here is it worth highlighting the signature of our first community project at the corporate level in collaboration with Save The Children.



> **«We will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.»**

On the environmental front, we continue to work to reconcile our business activities with environmental conservation by reducing harmful emissions and the use of water and raw materials. Every year we fine-tune our environmental evaluation systems and the efficiency of each and every one of our factories.

Not satisfied with all of that, we are keen to make further progress on integrating social and environmental criteria into our activities and on engaging the entire organisation in that effort. To this end we globalised the company's CSR workshops, at which we managed to identify the environmental, social and governance aspects of greatest concern to the members of our organisation.

In short, the fine work done by CIE Automotive in 2018 allows us to look to the future with optimism. We are convinced that in the coming years we will continue to deliver our objectives, overcoming any and all obstacles, by leveraging the ideas, experience and hard work of all.

Antón Pradera
Chairman

Jesús Mª Herrera
Chief Executive Officer

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2. We are driven by Results

Because every step we take is aimed at delivering profitable and sustainable growth. Because our economic achievements generate value for all our stakeholders, create jobs and constitute an opportunity for community development and progress.

2.1 2018 in review



WE BEAT GROWTH AND PROFIT RECORDS IN THE MIDST OF SECTOR TURMOIL

CIE Automotive demonstrated its strength in 2018 by registering growth that significantly outperformed the market and delivering margins that were above the sector average in a year of turmoil for the automotive industry. The company reinforced its position in the comfort segment with the acquisition of Inteva's roofing systems division and stepped up its exposure to India by lifting its stake in Mahindra CIE by 5%. In parallel, it registered fresh growth in the Americas with numerous new projects, including the start-up of a factory in Puebla (Mexico) and the integration of Autometal Minas (Brazil). All of this while maintaining a solid capital structure and generating strong cash flow, in line with its strategic goals.

In a sector agitated by new regulations, threats of a tariff war, downward revisions to production estimates and profit warnings, CIE Automotive posted a net profit of €396.8 million, up 84.2% from 2017, beating its own record once again.

In 2018, net profit included certain non-recurring items:

(I) The accounting gain generated on the payout of the special dividend structured to distribute the group's ownership interest in Dominion (hereinafter 'Dominion' or 'Global Dominion Access'), which implied income of €238.9 million, the difference between the carrying amount of the shares distributed and the net assets held by CIE Automotive.

(II) The profit contributed by Dominion, up until the date of the special dividend amounted to €6.4 million.

(III) Non-recurring charges totalling €91.3 million related with: (I) the realisation value of assets of the unwound biofuels business; (II) the revision of the useful lives of certain productive assets; and (III) the restatement of the provisions recognised to cover non-business contingencies.

«Automotive business delivered a normalised net profit of €242.8 million in 2018, year-on-year growth of 20.0%.»

Stripping out the impact of these non-recurring items, normalised net profit in the automotive segment amounted to €242.8 million, growth of 20.0% from 2017.

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NORMALISED AUTOMOTIVE EARNINGS PERFORMANCE

€ millions	**2017 (**)**	**2018**	**Chg. %**
Revenue	2,842.5	3,029.5	6.6%
EBITDA (*)	471.1	529.0	12.3%
EBITDA margin	16.6%	17.5%	
EBIT (*)	339.1	399.2	17.7%
EBIT margin	11.9%	13.2%	
Net profit (*)	202.4	242.8	20.0%

(*) EBITDA: earnings before interest, tax, depreciation and amortisation; EBIT: earnings before interest and tax; Net profit: profit attributable to owners of the parent.
(**) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

Revenue amounted to €3.03 billion, growth of €187.0 million from 2017. That is significant growth in light of the global sector weakness (contraction of 1.0%) last year and the negative impact of exchange rate trends in all of the company's operating regions. In constant currency terms, topline growth rises to 11%.

«CIE Automotive continued to outperform the market, posting organic growth of 10.1% in a market that contracted by 1%.»

The company's operating profit metrics once again evidenced the strength of its business model: EBITDA registered growth of 12.3% to €57.9 million, while normalised EBIT increased by 17.7% to €60.6 million, equivalent to 13.2% of revenue.

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Capex and acquisitions [102-10]

In 2018, the company invested €210.9 million, €87.6 million of which was earmarked to greenfield projects. Moreover, it posted a return on net assets (RONA) of 22%, close to delivering the associated guidance.

Within the greenfield projects, it is worth highlighting the new welding assembly plant in Mexico (CIE Nugar Puebla), the launch of a new crankshaft line in Lithuania (CIE LT Forge) and expansion of the fuel rail lines for petrol engines in Spain (CIE Norma).

In addition to investing in new plants and expanding existing facilities, CIE Automotive increased its exposure to India with the acquisition of an additional 5% of Mahindra CIE. India is already the fifth-largest vehicle producer in the world (behind China, the US, Japan and Germany) and the upside is very considerable: capacity is expected to double within less than a decade with annual growth of nearly double digit.

In Brazil, CIE Automotive integrated the CIE Autometal Minas plant (formerly Zanini Brazil) into the group. This new facility makes plastic parts (injection moulding, chroming and painting). This move consolidates the company's privileged position in a growing market which is gaining traction in the wake of recession. Among the products made at Autometal Minas the badges, wheel covers, front grills, fuel flaps and housing, spoilers and bodywork trim stand out.

The acquisition of Inteva's roofing system division makes us the world's number-three supplier of roofing systems

In the pursuit of continued growth and with the aim of reinforcing its market positioning, in September, CIE Automotive agreed to acquire one of the top three roofing system makers in the world: Inteva's dedicated division. That acquisition implies a qualitative and quantitative leap for the company as it not only makes it a top three player in the roofing system segment, it also increases its range of products and patents and further diversifies its customer base.

The purchase of this division marks a strategic commitment to the burgeoning comfort niche which has already made significant inroads in the premium segment and is increasingly penetrating the compact vehicle segment. *(For more information, go to Section 4.2 2016-2020 Business Plan)*

A giant in the comfort niche

With revenue of an estimated $1 billion in 2018 (approximately €850 million), Inteva's roofing system division has over 4,400 employees, 16 factories and 6 R&D centres in 7 countries (US, Mexico, Germany, Slovakia, Rumania, China and India). Its customers include the leading OEMs, including significant penetration of the Chinese, German and American OEMs.

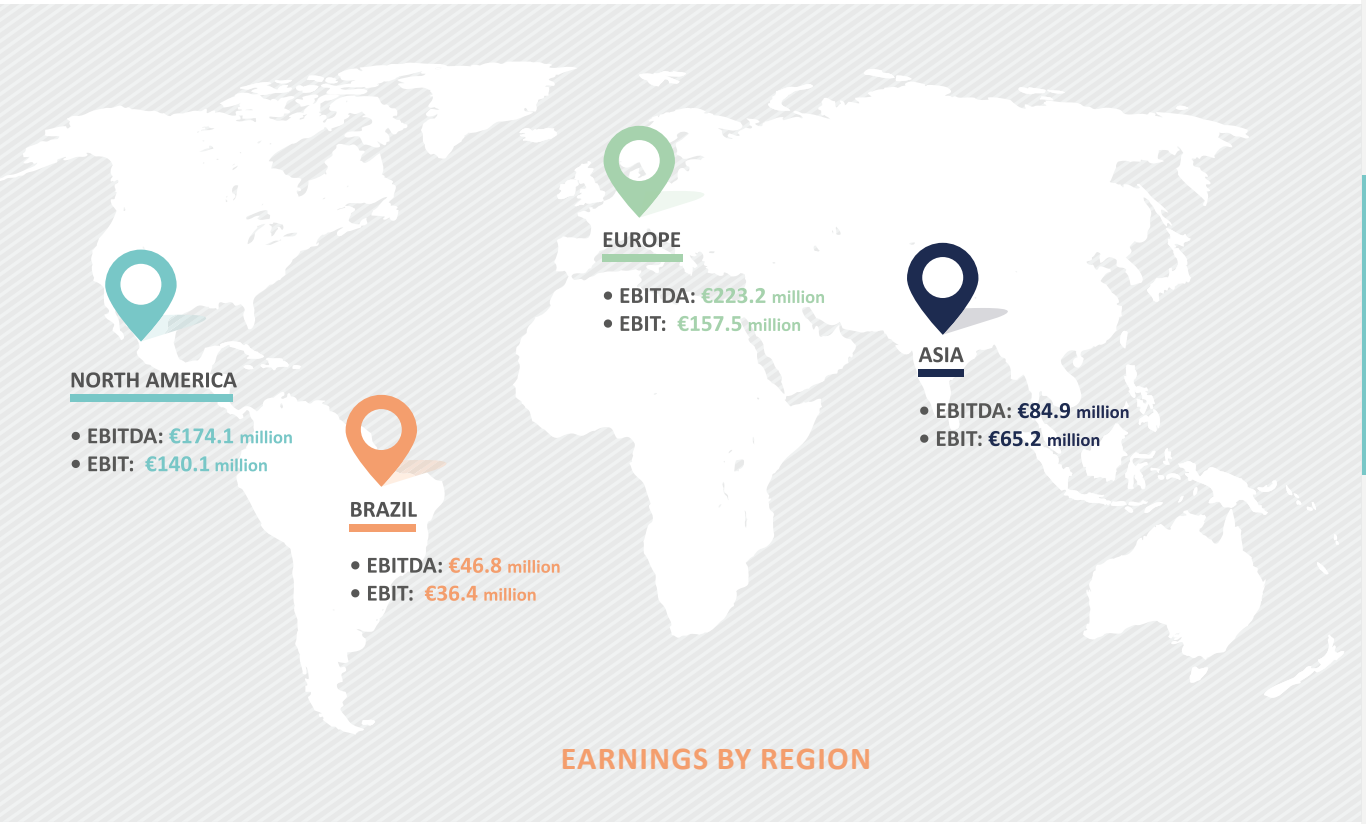
The transaction, which will entail an investment of $755 million (around €650 million), complements CIE Automotive's existing roof system division, Advanced Comfort Systems (ACS). Since its acquisition in 2009, ACS has doubled its revenue and improved its profitability significantly.

It is expected that the acquisition will close during the first half of 2019, upon receipt of the pertinent authorisation from the US anti-trust authorities and execution of the carve-out of this division from the Inteva Group.

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Performance by region [102-7]

All of the operating regions contributed to CIE Automotive's strong earnings performance.



EARNINGS BY REGION

EUROPE

• The introduction of the new WLTP had a range of effects, translating into a surge in sales of heavily-discounted non-compliant vehicles in July and August following by significant market contraction in the rest of the year:

• Traditional European plants: tied to the passenger vehicle segment, they are exposed to the fallout from the WLTP. As a result, this division's revenue contracted by 1% (vs. a contraction in production of 1.5%).
• Mahindra CIE European plants: mainly exposed to the heavy commercial vehicle segment, so that they were not affected by the new regulations and posted growth that was significantly above the market average at 14.6%.
• Overall, CIE Automotive in Europe grew by 4.7% on a like-for-like basis.

NORTH AMERICA

• In this market, CIE Automotive's revenue increased by 11.0% (7.7% due to organic growth), whereas production declined by 0.6%, dragged down mainly by the contraction in Canada.
• Focus on Mexico with the start-up of CIE Nugar Puebla.
• Good prospects following the new deal between the US, Mexico and Canada.

BRAZIL

• Topline growth of 27.1% (24.2% due to organic growth), above market production growth of 4.0%; Brazil is beginning to make up the volumes lost during the crisis.
• Integration of CIE Autometal Minas (former Zanini Brazil) into the group.

ASIA

• India: The company increased its interest in Mahindra CIE by 5%, reinforcing its presence in a market expected to become the world's fourth-largest producer by 2025. In 2018, CIE Automotive's revenue increased by 20.8%, compared to growth in overall market production of 6.7%.
• China: Growth of 21.8%, in a shrinking market (-3.8%) due to the threat of a trade war with the US and the foreseeable reformulation of vehicle purchase incentive scheme.

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EBITDA CONTRIBUTION BY REGION



NORTH AMERICA	32.9%
EUROPE	28.0%
ASIA	16.1%
MCIE EUROPE	14.2%
BRAZIL	8.8%

Financial situation

At year-end 2018, on a like-for-like basis, factoring the disposal of Dominion, CIE Automotive had €2.11 billion of net assets and €1.05 billion of equity. Borrowings ended the year at €948.2 million, which implies a net debt-to- EBITDA ratio of 1.8x, compared to 1.6x at year-end 2017.

In 2018, CIE Automotive continued to work to secure the financing it needs to fund its ongoing growth and to diversify its sources of financing. Evidence of this is the $150 million loan arranged with the International Finance Corporation (World Bank Group) and Export Development of Canada (EDC), to fund its growth in Mexico, and the €80 million loan awarded by the European Investment Bank to finance its R&D strategy in Europe.

«The EBITDA-to-cash conversion ratio was 58.1%, just above the targeted ratio of 55%.»

Also, for the first time, it issued a commercial paper programme of up to €200 million on the Irish Stock Exchange to fund its working capital requirements.

(For more information, go to Section 4 We are driven by our Strategy).

Thanks to these new loans arranged during the year and the rollover of the syndicated loan for an additional year, 80% of the company's available financial resources have a maturity of over 4 years.

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FINANCIAL RESOURCES MATURITY PROFILE

(€ million)	**2017**	**2018**
Within 1 year	242.6	282.3
Between 1 and 2 years	135.7	161.9
Between 3 and 5 years	749.0	789.6
Over 5 years	97.6	106.2
Total equity and liabilities	**1,224.9**	**1,340.0**

As for its cash flows, it is worth noting that the EBITDA-to-cash conversion ratio was 58.1% last year, above the strategic target of 55%.

BALANCE SHEET

The group's key balance sheet metrics at the last three year-ends:

(€ million)	**2016**	**2017**	**2018**
Fixed assets	2,480.5	2,660.2	2,267.7
Net working capital	(248.9)	(350.6)	(158.8)
Total net assets	**2,231.6**	**2,309.6**	**2,108.9**
Equity	1,263.3	1,336.9	1,048.9
Net debt	816.2	854.8	948.2
Other (net)	152.1	117.9	111.8
Total equity and liabilities	**2,231.6**	**2,309.6**	**2,108.9**

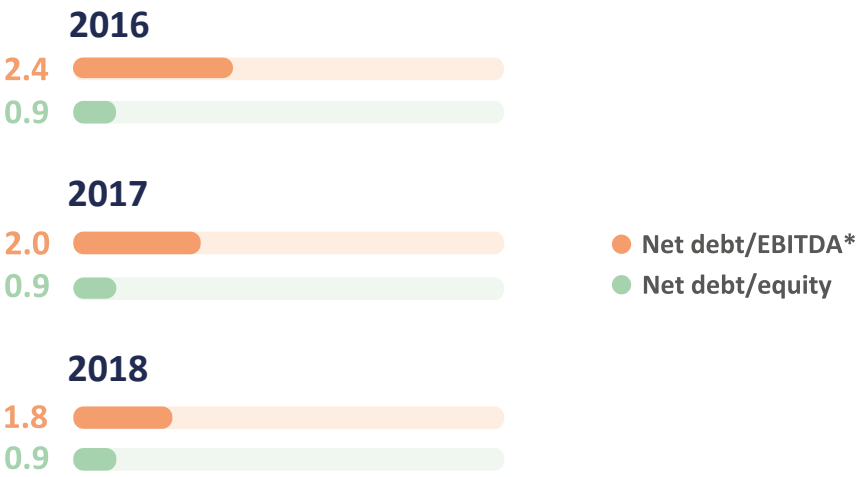
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And the like-for-like* balance sheet at the same year-ends:

(€ million)	2016(*)	2017(*)	2018
Fixed assets	2,157.1	2,273.1	2,267.7
Net working capital	(132.3)	(189.2)	(158.8)
Total net assets	**2,024.8**	**2,083.9**	**2,108.9**
Equity	988.7	1,042.6	1,048.9
Net debt	930.2	948.7	948.2
Other (net)	105.9	92.6	111.8
Total equity and liabilities	**2,024.8**	**2,083.9**	**2,108.9**

(*) Balance sheet restated to exclude Dominion in order to enable a comparable reading.

FINANCIAL RATIOS



(*) EBITDA: earnings before interest, tax, depreciation and amortisation.

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Tax information

COUNTRY-BY-COUNTRY PROFITS & TAXES

Note that the information included below is presented in the Form No. 231 - Information Statement submitted to the regional authorities of Vizcaya. In turn, that form is aligned with Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, which regulates the country-by-country reports that 'multinational enterprise groups' are required to present annually and for each tax jurisdiction in which they do business.

Those reports can be used for the purposes of assessing high-level transfer-pricing risks; their main purpose is to provide the information needed to analyse related-party transaction risks, thus facilitating the work of the tax authorities, which may also use them to assess other risks related to base erosion and profit shifting.

That obligation to present a country-by-country report was regulated in sections 10 and 11 of article 43 of Provincial Law 11/2013 on corporate income tax.

Tax jurisdiction	Profit/(loss) before income tax	Income tax paid
MEXICO	131.9	33.0
BASQUE COUNTRY	66.4	0.0
BRAZIL	31.3	7.5
INDIA	30.7	10.2
SPAIN	29.0	6.9
CHINA	21.6	5.0
USA	15.7	0.3
ITALY	7.5	0.0
LITHUANIA	5.4	0.2
FRANCE	4.5	1.5
CZECH REPUBLIC	4.4	0.8
ESLOVAKIA	4.3	0.4
GERMANY	3.6	0.0
NAVARRA	2.5	0.0
PORTUGAL	2.3	0.4
RUSSIA	1.0	0.0
MOROCCO	0.6	0.0
GUATEMALA	(0.1)	0.0
ROMANIA	(0.3)	0.9
UNITED KINGDOM	(6.3)	0.0
Total *(€ million)*	**356.1**	**66.9**

Data with no consolidation adjustments and under IFRS.

CORPORATE INCOME TAX PAID

€66.9 million.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENTS [201-4]

€2 million of grants related to income: €1.5 million in Spain; €0.4 million in Mexico; and €0.1 million in China.

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Sustainable development

The company's excellent economic and financial performance was accompanied by improved social and environmental indicators and growth in the economic value distributed to its stakeholders.

In 2018, CIE Automotive's workforce increased by 1.6% to 23,262; the cash dividends paid to shareholders registered growth of 37%; its shareholders also received a special dividend on 3 July 2018 when CIE Automotive disposed of its interest in Dominion, a stake that had a market value of €404.7 million at the time of the distribution.

Purchases from suppliers amounted to over €1.8 billion; the company made further progress on its research, development and innovation efforts and the group's hard work earned it the recognition of its customers. In addition, the company arranged its first community project at the corporate level in collaboration with Save The Children. On the environmental front, emissions fell, as did the amount of water and other raw materials consumed.

The management of social and environmental aspects continues to be fine-tuned and harmonised all across the group. A good example of this effort: the CSR Workshops, initiated in Europe in 2017 and rolled out to Brazil, the US, Mexico, China and India in 2018.

«Solid commitment to stakeholders.»

VALUE GENERATED AND DISTRIBUTED [201-1]

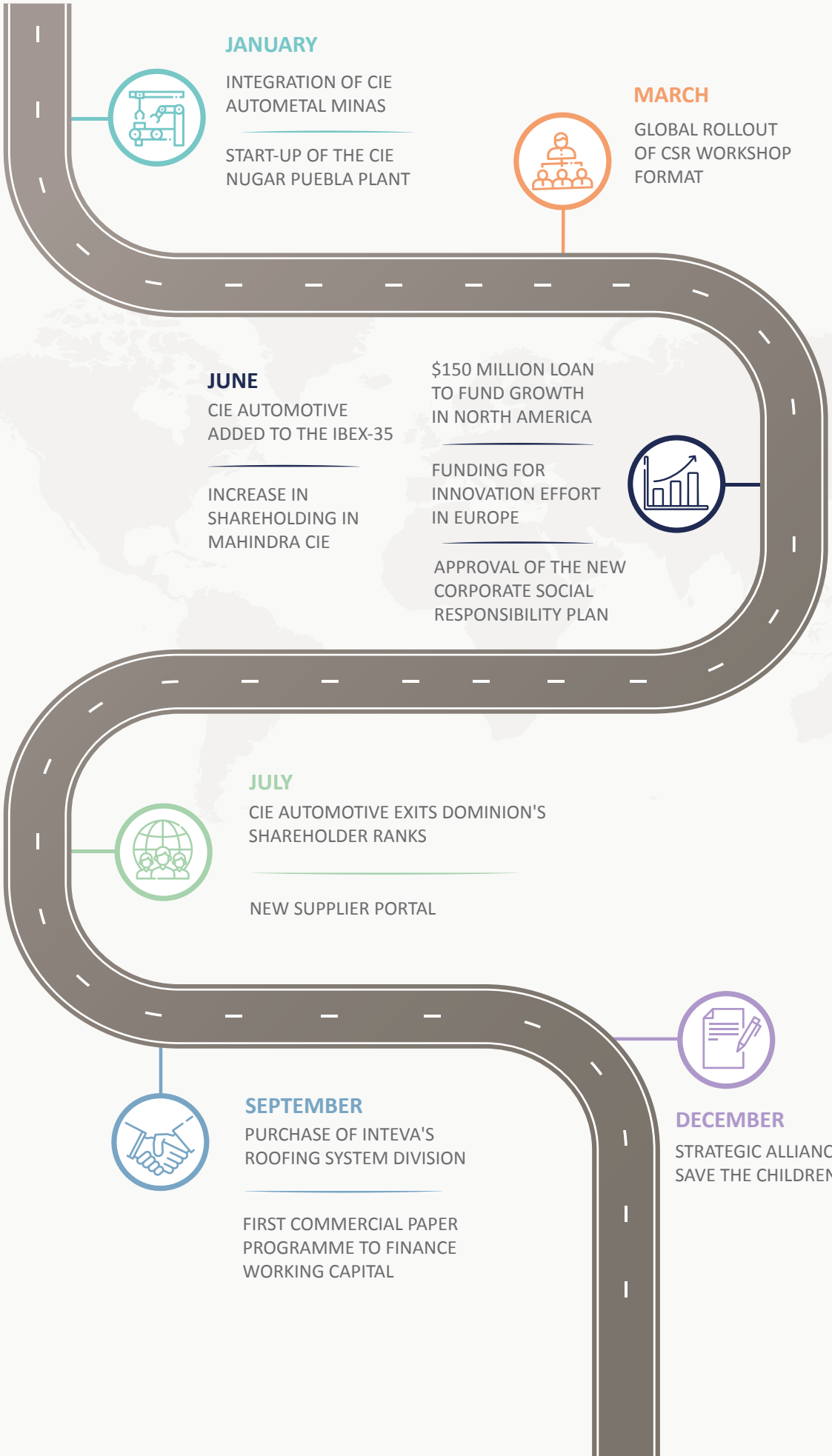
€ million	**2016 (***)**	**2017(***)**	**2018**
Revenue	2,220.8	2,845.6	3,029.5

Economic value distributed	**2016 (***)**	**2017(***)**	**2018**
To shareholders (dividends)*	42.6	52.9	72.1
To shareholders (special dividend)**	-	-	404.7
To employees (employee benefits expense)	445.5	532.0	557.8
To suppliers (consumption of raw materials and auxiliary materials)	1,271.1	1,683.7	1,836.7
To society (income tax paid)	43.3	55.9	66.9

(*) Dividend paid during the year.
(**) Market value of the special dividend articulated to distribute CIE Automotive's interest in Dominion to its shareholders.
(***) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

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2.2. Milestones



JANUARY

INTEGRATION OF CIE AUTOMETAL MINAS

START-UP OF THE CIE NUGAR PUEBLA PLANT

MARCH

GLOBAL ROLLOUT OF CSR WORKSHOP FORMAT

JUNE

CIE AUTOMOTIVE ADDED TO THE IBEX-35

INCREASE IN SHAREHOLDING IN MAHINDRA CIE

$150 MILLION LOAN TO FUND GROWTH IN NORTH AMERICA

FUNDING FOR INNOVATION EFFORT IN EUROPE

APPROVAL OF THE NEW CORPORATE SOCIAL RESPONSIBILITY PLAN

JULY

CIE AUTOMOTIVE EXITS DOMINION'S SHAREHOLDER RANKS

NEW SUPPLIER PORTAL

SEPTEMBER

PURCHASE OF INTEVA'S ROOFING SYSTEM DIVISION

FIRST COMMERCIAL PAPER PROGRAMME TO FINANCE WORKING CAPITAL

DECEMBER

STRATEGIC ALLIANCE WITH SAVE THE CHILDREN

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JANUARY

INTEGRATION OF CIE AUTOMETAL MINAS

Integration of the CIE Autometal Minas plant (Brazil), devoted to the injection, chroming and painting of plastic parts, into the group.

START-UP OF THE CIE NUGAR PUEBLA PLANT

Start of operations at the new welding and assembly factory in Puebla (Mexico).

MARCH

GLOBAL ROLLOUT OF CSR WORKSHOP FORMAT

March marked the start of the global rollout of the CSR Workshop format in Brazil, followed in the second half of the year by similar events in the US, Mexico, China and India.

JUNE

CIE AUTOMOTIVE ADDED TO THE IBEX-35

CIE Automotive's shares were added to Spain's blue chip stock index, the IBEX-35, on 18 June.

INCREASE IN SHAREHOLDING IN MAHINDRA CIE

Acquisition of an additional 5% interest in group subsidiary, Mahindra CIE Automotive Ltd.

$150 MILLION LOAN TO FUND GROWTH IN NORTH AMERICA

CIE Automotive arranged a $150 million loan with IFC and EDF to fund growth plans for Mexico.

FUNDING FOR INNOVATION EFFORT IN EUROPE

The EIB extended CIE Automotive a €80 million loan to finance its R&D strategy.

APPROVAL OF THE NEW CORPORATE SOCIAL RESPONSIBILITY PLAN

Board approval for a new CSR Plan for 2019-2020, designed to standardise and embed environmental, social and governance criteria across the group.

JULY

CIE AUTOMOTIVE EXITS DOMINION'S SHAREHOLDER RANKS

CIE Automotive exited Dominion in July, as had been foreshadowed, by delivering its shareholders 0.65709 Dominion shares for every CIE Automotive share they held.

NEW SUPPLIER PORTAL

Launch of a new online and free-to-use platform designed to facilitate engagement with suppliers. The platform is scheduled to be global in reach by the end of 2019.

SEPTEMBER

PURCHASE OF INTEVA'S ROOFING SYSTEM DIVISION

CIE Automotive agreed the acquisition of the world third-largest roofing system maker, a division of Inteva, for $755 million (€650 million).

FIRST COMMERCIAL PAPER PROGRAMME TO FINANCE WORKING CAPITAL

First notes placed under the company's new €200 million commercial paper programme, listed on the Irish Stock Exchange.

DECEMBER

STRATEGIC ALLIANCE WITH SAVE THE CHILDREN

Execution of the first community project at the corporate level: a collaborative agreement with Save the Children for the provision of training support to youths in Mexico.

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2. We are driven by Results

2.3. CIE Automotive's share price performance



WE HAVE ARRIVED IN THE IBEX-35 TO STAY

In 2018, CIE Automotive was promoted to the IBEX-35 index. Its entry into the blue chip index is a testament to the company's history of profitable growth. It will inject liquidity and visibility into the stock, particularly vis-a-vis international investors. By the same token, it implies additional share price volatility, which took a toll during the second half, and, compounded with exogenous sector-specific and macroeconomic factors, hurt the share price, despite the fact that the company had made good on all its guidance. The market also discounted the exit from Dominion, articulated by an in-kind dividend.

CIE Automotive's shares have been trading as part of the IBEX-35 index since 18 July. It is the only company from the only automotive sector in the index.

Despite the recognition implied by making it into this index, the company's healthy earnings performance and the upward revision of its guidance, CIE Automotive's shares ended the year virtually flat (0.3%), after adjusting for the effect of the extraordinary distribution of the company's shares in Dominion. At year-end 2018, the company's market capitalisation stood at €2.77 billion.

The share's performance last year (flat) is attributable to several factors. On the one hand, the stock's inclusion in the IBEX-35 had the effect of increasing share price volatility at a time of sector turbulence on account of new emission standards, the market slowdown, profit warnings, etc. On the other, the deterioration in macroeconomic conditions and other tensions of a geopolitical nature, which are weighing on the global markets, such as the fear of protectionist measures from the US, the threat of a trade war between the US and China, and the stalled Brexit negotiations, among other factors.

At any rate, the fact that CIE Automotive's share price did not correct was laudable considering the fact that the IBEX-35 lost 15% and the Stoxx Europe 600 Automobiles & Parts corrected by 28%.

The OEMs included in the Stoxx Auto saw their share prices correct by 19% on average in 2018 (vs. 0% at CIE Automotive), while the SUPPLIERS included in that same index saw 45% wiped off their market caps on average.

> ***«The share price did not reflect the company's fundamentals or its excellent performance.»***

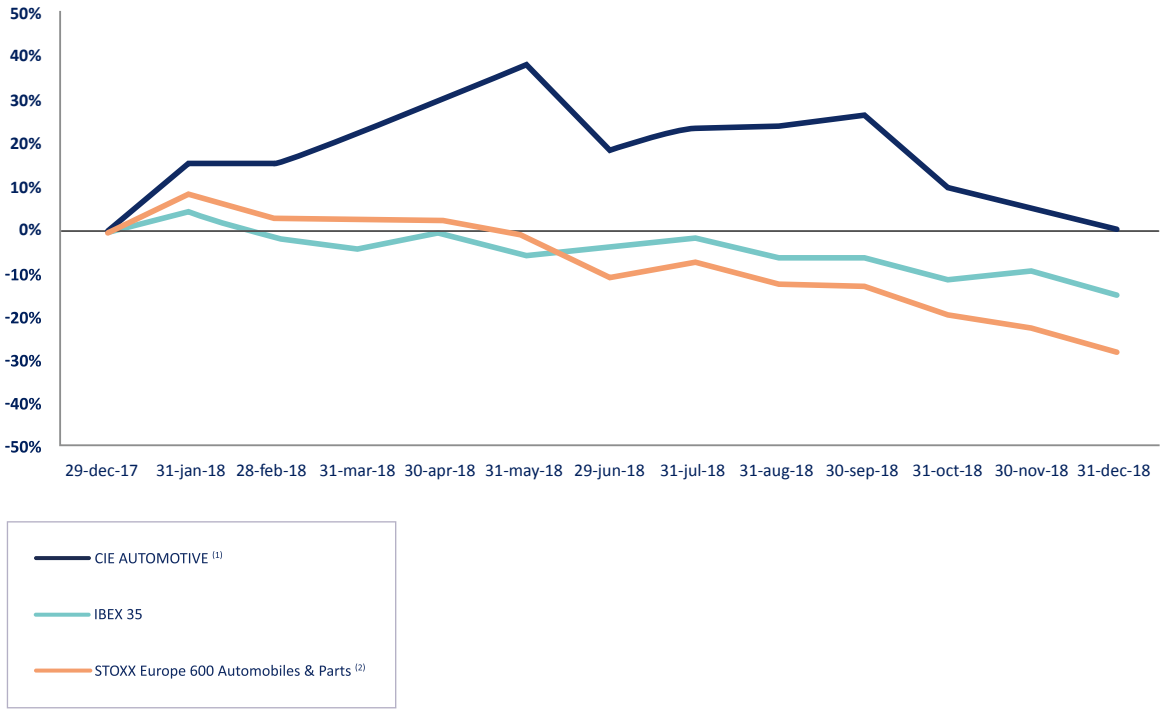
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CIE AUTOMOTIVE'S STOCK MARKET INDICATORS

	2016	2017	2018
Number of shares at year-end	129,000,000	129,000,000	129,000,000
Share price at year-end (€)	18.52	24.21	21.44
Pro forma share price at year-end (€)*	16.46	21.37	21.44
Market capitalisation at year-end (€ million)	2,388.4	3,123.1	2,765.8
Average trading volume	59,065	59,318	87,149
Dividends paid (€ million)	42.6	52.9	72.1 (before the in-kind dividend)
Payout** (%)	32%	33%	33%
Earnings per share (€)	1.00	1.26	1.67
P/E multiple***	15.4	14.7	14.5

(*) Share price adjusted for the in-kind dividend consisting of the distribution of the company's shares in Dominion.
(**) Payout: percentage of profit paid out to shareholders
(***) P/E multiple: ratio between share price and EPS

SHARE PRICE PERFORMANCE
(comparison with the IBEX-35 and the STOXX Europe 600 Automobiles & Parts)



(1) Share price adjusted for the in-kind dividend consisting of the distribution of the company's shares in Dominion.
(2) STOXX Europe 600 Automobiles & Parts is composed of: OEMS: BMW ST, Daimler, Ferrari NV, Fiat, Peugeot, Porsche, Renault, and Volkswagen. SUPPLIERS: Faurecia, Michelin, Nokian, Plastic Omnium, Rheinmetall, Schaeffler, Valeo.

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Looking to 2019, despite the lingering macroeconomic and geopolitical uncertainties that could still take a toll, CIE Automotive believes that its shares will return to the gains notched up in recent years thanks to the combination of several tailwinds:

• **Growth and profitability on track** for delivery of the company's strategic targets; in 2020 that guidance calls for significant outperformance in organic growth relative to the global market in 2016-2020, accompanied by considerable margin expansion: an EBITDA margin of over 18% and an EBIT margin of over 14% for €300 million of net profit in 2020.

• **The acquisition of Inteva's roofing system division**, which will add around $1 billion to the topline, in a market niche expected to grow by more than 7% in the coming years.

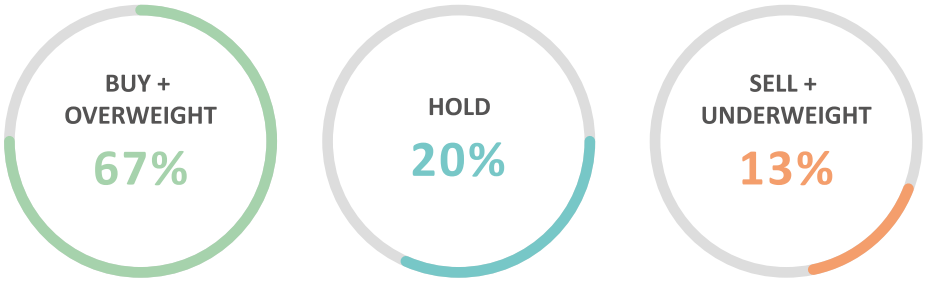
• **The growth forecast for the Indian market** (6% in 2019 and up to double-digit growth in successive years), where CIE Automotive has reinforced its position by lifting its stake in Mahindra CIE by 5% to 56%.

• **The deal reached between the US, Mexico and Canada**, which reinforces the local production and supply mix in North America.

• **The recovery of the Brazilian market**, where CIE Automotive is a renowned player, should translate into compelling profits for the group.

At the end of 2018, most of the research firms covering the stock had reiterated their buy recommendations with an average target price of €28.74.

RECOMMENDATIONS



Dividends

CIE Automotive paid out €72.1 million in cash dividends from 2017 profits, up 37% year-on-year. In addition, it distributed its shares in Dominion to its shareholders.

The cash dividend was paid out in two instalments: an interim division of €0.28 per share on 5 January and a final dividend of the same amount on 3 July. That second cash dividend was used to pay the personal income tax withholdings corresponding to the distribution of shares of Dominion.

«The company paid out €72.1 million in cash divisions, growth of 37% year-on-year.»

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CIE Automotive exited Dominion's shareholder ranks by distributing its shares in that subsidiary to its shareholders

One of the developments with the biggest impact on the company's share price last year was the exit from Dominion. The transfer to its shareholders of its shareholding in its Smart Innovation subsidiary, in the form of a special in-kind dividend, was approved at the Annual General Meeting on 24 April.

The company distributed a total of 84.7 million Dominion shares (50.01% of the total), equivalent to 0.65709 Dominion shares for every CIE Automotive share.

By the time it exited Dominion, CIE Automotive had contributed significantly to the consolidation of this subsidiary, whose shares have been publicly traded since April 2017.

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Mahindra CIE's share price performance on the two main exchanges of India

The Mahindra CIE (MCIE) stock is listed on the two main exchanges of India: the National Stock Exchange of India Limited (NSE), whose main index is the CNX Nifty 50, and the BSE Limited (BSE), whose main index is the S&P BSE Sensex.

In 2018, 130,973,618 shares of MCIE, with an effective turnover of INR 33.305 billion were traded. The share price ranged from the low reached at INR 199.2 (BSE) to a high of INR 302 (NSE).

During the calendar year 2018, the CNX Nifty 50 ended the year with an increase of 5.9% and the S&P BSE Sensex with an increase of 3.2%. On the other hand, the S&P BSE AUTO Index has fallen by 22.1% while the NIFTY AUTO Index has fallen by 23.1% in 2018. The stocks of companies in the automotive and auto components space have been affected because of the credit crisis and resultant slowdown in sales. In this milieu, the MCIE share price has remained stable at -0.4%.

At all times, the main research firms covering MCIE have reiterated their recommendation to buy while periodically revising the target price, confirming their confidence in the company.

KEY DATA RELATED TO THE MCIE STOCK'S BEHAVIOR ON THE STOCK EXCHANGES

	2016	2017	2018
Number of shares by 31/12 (in Millions)	378.1	378.4	378.8
Closing Share price on 31/12 (INR) on BSE	183.5	257.8	253.5
Closing Share price on 31/12 (INR) on NSE	183.8	258.2	257.0
Year Max. on BSE	256.0	270.1	301.8
Year minimum on BSE	156.9	181.1	199.2
Capitalization 31/12 (INR Million) on BSE	69,379	97,525	96,002
Average trading volume* (BSE)	35,916	58,273	75,674
Average trading volume* (NSE)	197,948	197,188	456,739

	2016	2017	2018
Earnings per share (in INR)	4.99	9.46	14.48
PER (**)	36.8	27.3	17.0

(*) Trading volumes calculated by reducing the 52 weekends and declared trading holidays from 365 days in that year.
(**) PER: relationship between share price and profit. For 2018, it has been considered the EPS for continued operations only.

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3. We are driven by our Identity

Because we are and want to remain a benchmark player in the automotive components sector, endorsed by the OEMs and the market for our excellence and reliability. Because we are a group that is constantly evolving, capable of imagining, shaping and anticipating the vehicle of the future. A company that embraces the interests of all of the people who, in so many ways, help us to be who we are.

3.1 Mission, vision and values [103-1, 103-2, 103-3]

WE ARE COMMITTED TO EXCELLENCE

MISION [102-16]

CIE Automotive supplies components and subassemblies to the global automotive market using complementary technologies and a range of associated processes.

We are growing steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers' needs through innovative, competitive, end-to-end, high value-added solutions.

We seek excellence through the following commitments:

- Continuous improvement of processes and efficient management.
- Encouraging participation, involvement and motivated teamwork in a pleasant, safe work environment.
- Transparency and integrity in everything we do.
- Respect for the environment and a commitment to improving our environmental record.



VISION

We aspire to being a benchmark industrial group specialised in managing highly value-added processes.

We strive to be the paradigm of a socially-responsible company through our commitment to:

- People and their fundamental rights.
- The environment, fostering initiatives which translate into greater environmental responsibility.
- Value creation.
- Stakeholder collaboration.
- Management excellence.

We aim to be:

- A standard-bearer within the value chain for quality, technology and service.
- A benchmark in eco-innovation and eco-design.

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VALUES

At CIE Automotive we attach importance to people:

- Respecting their fundamental rights.
- Providing them with fair working conditions.
- Fostering their initiative, creativity and originality, their engagement and teamwork, their ability to deliver objectives and add value and their openness to change and continuous improvement.

At CIE Automotive we attach importance to the environment:

- Taking a preventative approach.
- Working to minimise any adverse impact.

At CIE Automotive we attach importance to transparency:

- Promoting responsibility, integrity and commitment to a job well done.
- Disclosing in a clear manner all information of relevance to our activities so that it is known and understood.

At CIE Automotive we attach importance to our stakeholders:

- Promoting honest relations.
- Respecting their rights.

At CIE Automotive we attach importance to compliance:

- Upholding Spanish and international law.

CORPORATE POLICIES

CIE Automotive has developed a body of **corporate policies**, which were formulated by the various responsible departments and approved by the Board of Directors in December 2015 and then revised in 2018. They are binding upon all member of the organisation.

• Corporate social responsibility (CSR)

- Corporate social responsibility.
- Purchasing.
- Supplier CSR commitment.
- Human rights.
- Anti-corruption and fraud.
- Social action.

• Governance

- Internal control over financial reporting (ICFR).
- Risk control and management.
- Corporate governance.
- Director remuneration.
- Tax policy.
- Information and Communication to shareholders and markets.
- Shareholder remuneration policy.
- Policy for the selection of candidates for director and diversity on the Board of Directors.
- Hiring policy and relations with the auditor of accounts.

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3. We are driven by our Identity

3.2 Business model

DIVERSIFICATION AND FINANCIAL DISCIPLINE ARE OUR KEY SUCCESS DRIVERS [102-2, 102-4, 102-6]

CIE Automotive's business model is based on five cornerstones: multiple locations, customer diversification, a multi-technology approach, financial discipline and decentralised management. These singular traits pave the way for optimal customer service and sustained profitable growth, even in times of crisis.

CORNERSTONES OF THE BUSINESS MODEL

▸ MULTIPLE LOCATIONS

98 manufacturing facilities | **90** locations | **17** countries | **7** research centres

▸ CUSTOMER DIVERSIFICATION

60% OEMs (Automobile manufacturers) | **40%** TIER-1 suppliers

▸ MULTI-TECHNOLOGY

7 technologies:
Machining | Metal stamping and tube forming | Forging | Plastic | Aluminium injection | Roof systems | Casting

▸ DISCIPLINED INVESTING

Facility quality and flexibility | High returns | EBITDA-to-cash conversion of over **55%**

▸ DECENTRALISED MANAGEMENT

6 geographic areas | **1** cross-cutting network structure

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Multiple locations [102-4, 102-45]

The Group locates its manufacturing facilities close to the car assembly plants distributed all over the world. At year-end 2018, it had 98 manufacturing facilities in 90 locations within the leading automotive markets, as well as seven technology centres.

«We manufacture alongside our customers.»

	TOTAL	MACHINING [2]	STAMPING [3]	FORGING [4]	PLASTIC [5]	ALUMINIUM [6]	ROOF SYSTEMS	CASTING
Europe [1]	42	15	5	7	5	7	3	0
North America	17	5	5	2	3	1	1	0
Brazil	16	3	4	1	6	1	0	1
Asia (India & China)	23	3	6	8	3	0	1	2
	98	26	20	18	17	9	5	3

(1) Includes the CIE Maroc factory in Morocco and the CIE Automotive Rus factory in Russia.

(2) Includes five multi-technology factories (CIE Amaya, CIE Denat, CIE Autocom, CIE Automotive Parts Shanghai and CIE Autoforjas).

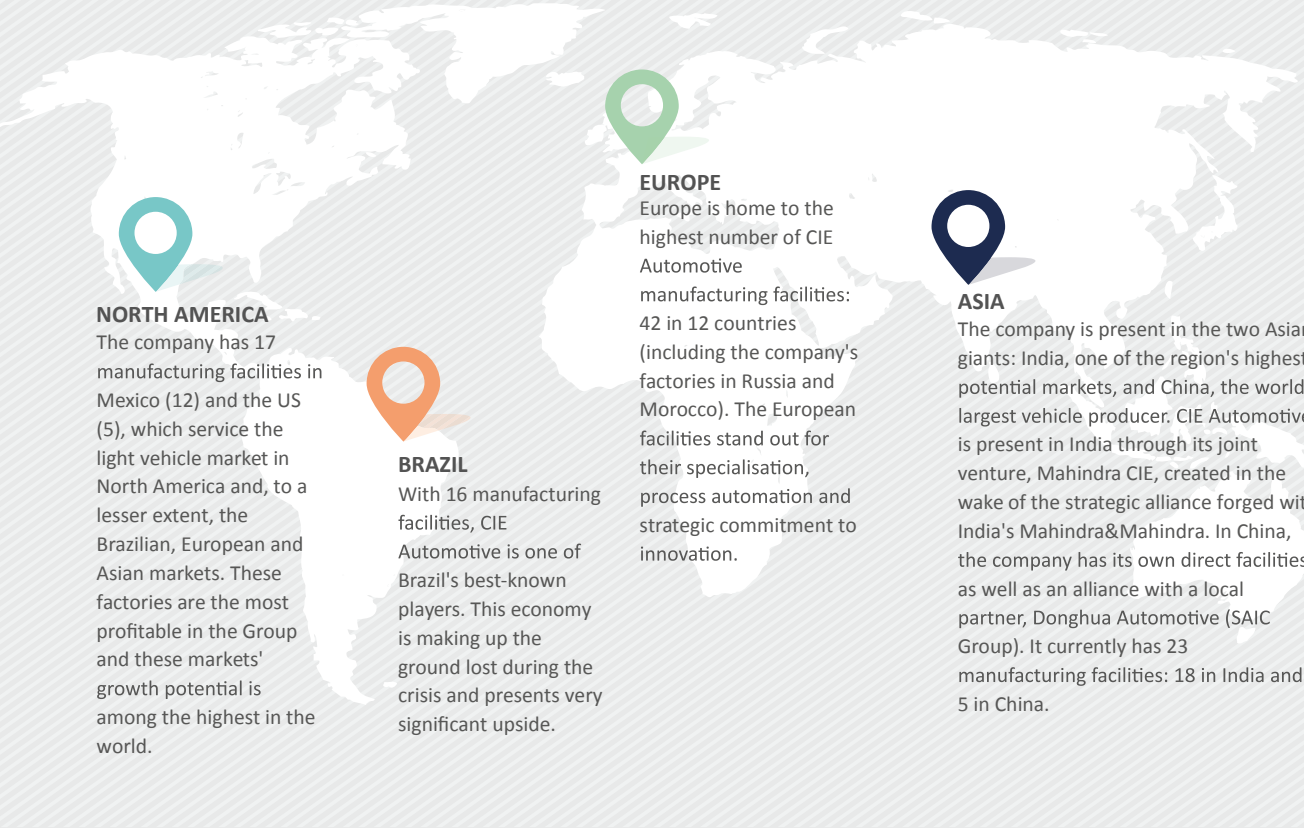
(3) Includes three multi-technology factories (CIE Celaya, CIE Automotive Parts Shanghai and CIE Autometal Diadema).

(4) Includes one multi-technology factory (CIE Autoforjas).

(5) Includes two multi-technology factories (CIE Autometal Diadema and CIE Automotive Parts Shanghai), as well as two facilities in India and one in the US that use composites technology.

(6) Includes four multi-technology factories (CIE Amaya, CIE Denat, CIE Autocom and CIE Celaya).

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NORTH AMERICA
The company has 17 manufacturing facilities in Mexico (12) and the US (5), which service the light vehicle market in North America and, to a lesser extent, the Brazilian, European and Asian markets. These factories are the most profitable in the Group and these markets' growth potential is among the highest in the world.

BRAZIL
With 16 manufacturing facilities, CIE Automotive is one of Brazil's best-known players. This economy is making up the ground lost during the crisis and presents very significant upside.

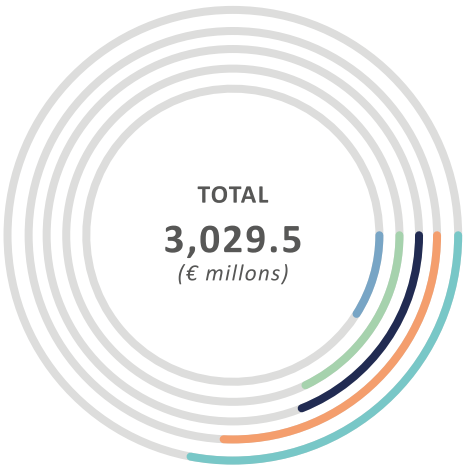
EUROPE
Europe is home to the highest number of CIE Automotive manufacturing facilities: 42 in 12 countries (including the company's factories in Russia and Morocco). The European facilities stand out for their specialisation, process automation and strategic commitment to innovation.

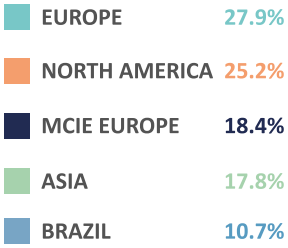
ASIA
The company is present in the two Asian giants: India, one of the region's highest potential markets, and China, the world's largest vehicle producer. CIE Automotive is present in India through its joint venture, Mahindra CIE, created in the wake of the strategic alliance forged with India's Mahindra&Mahindra. In China, the company has its own direct facilities as well as an alliance with a local partner, Donghua Automotive (SAIC Group). It currently has 23 manufacturing facilities: 18 in India and 5 in China.

For further details, please consult CIE Automotive's Consolidated Financial Statements for the year ended 31 December 2018 or the group's corporate website.

REVENUE MIX BY REGION

(€ million)	**Revenue**
Europe	844.6
MCIE Europe	557.7
North America	763.3
Brazil	323.6
Asia	540.3
TOTAL	**3,029.5**





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Customer diversification

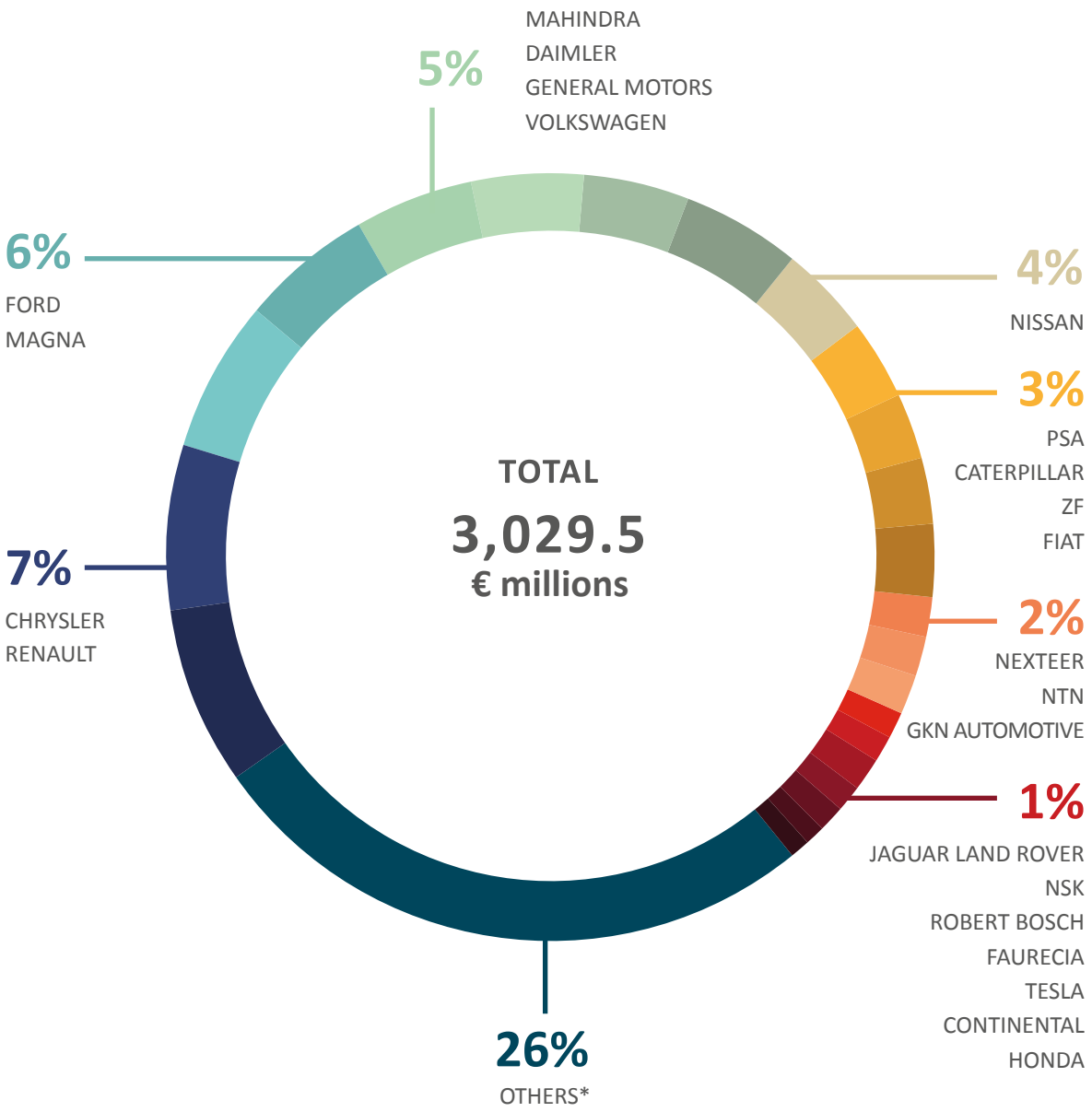
CIE Automotive's customer portfolio is split between vehicle original equipment makers (OEMs) and TIER-1 suppliers.

It is a highly diversified portfolio of well-known names. No single customer accounts for more than 10% of revenue, which puts the company in a position of strength when negotiating prices.

The company does not depend on any single platform or car model, ensuring an advantage in times of crisis.

«None of our customers represents more than 10% of sales revenue.»

REVENUE MIX BY CUSTOMER



**OTHERS: JTEKT, DAF, TATA, MAN, AAM, BMW, SCHAEFFLER GROUP, THYSSEN KRUPP, ACI Y DACIA, TRW, KS KOLBENSCHMIDT, AUDI, MARUTI – SUZUKI, BROSE, HYUNDAI-KIA, OPEL, SCANIA, LEAR,...*

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Multi-technology [102-2]

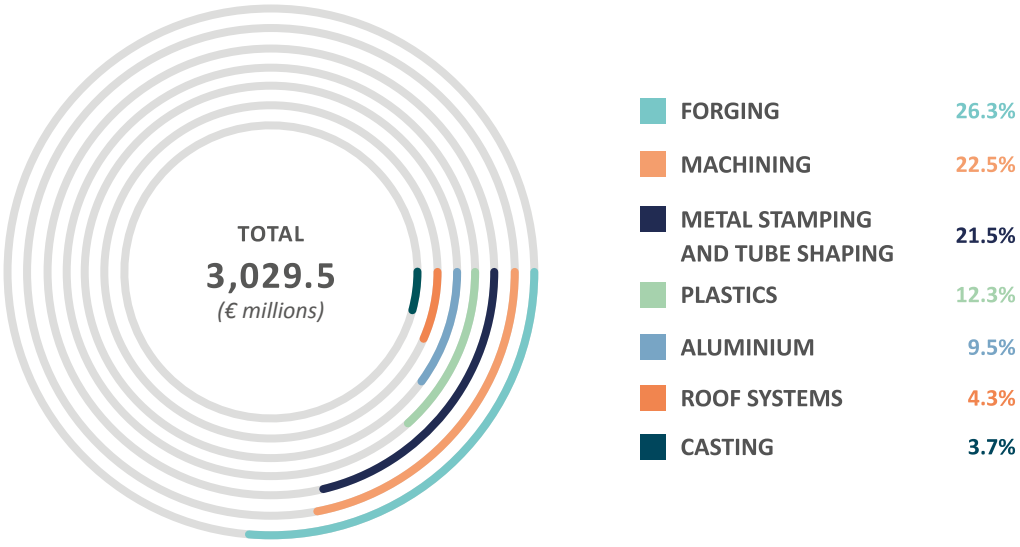
CIE Automotive can draw on seven different kinds of technology to make over 6,500 part SKUs. That enables the company to offer a given component or subassembly using different technologies and to invest in prevailing techniques.

«We are capable of making a given component or subassembly using different technologies.»

REVENUE MIX BY TECHNOLOGY

TECHNOLOGY	Revenue *(€ million)*
Forging	821.0
Machining	703.6
Metal stamping and tube shaping	673.0
Plastics	384.3
Aluminium	295.5
Roof systems	133.1
Casting	116.2

Note: Includes €97.2 million of intercompany sales.



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FINANCIAL DISCIPLINE

Every year, the Group invests sizeable sums in increasing its production capacity. Those investments must meet three conditions: (i) flexible equipment that is valid for multiple customers and platforms; (ii) high returns on investment; and (iii) EBITDA-to-cash conversion of over 55%.

PILLARS OF FINANCIAL DISCIPLINE STRATEGY

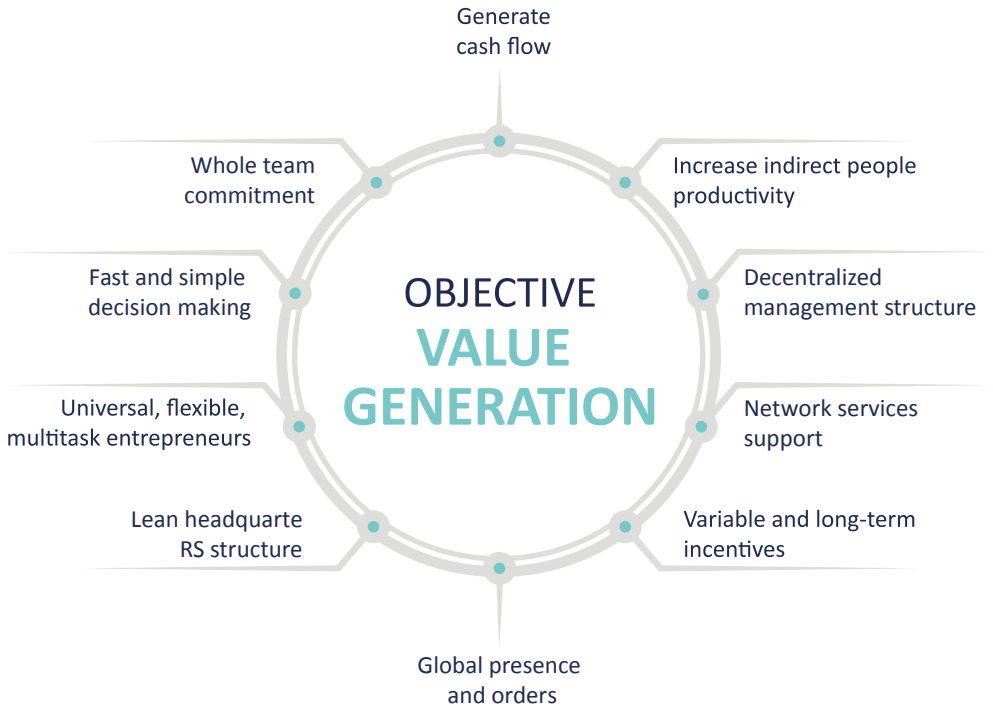
FLEXIBLE STANDARD EQUIPMENT	STRICT INVESTMENT DISCIPLINE. HIGH RETURN HURDLES	EBITDA-TO-CASH CONVERSION RATIO
Enables high capacity utilisation. Recurring capex of ≈4% of revenue, which is sufficient to enable facility maintenance and organic growth.	**Capex ≥ 20% ROI.** **Working capital requirement ≈0.**	EBITDA-to-cash conversion ratio: above market average. **Target of > 55%.**

Decentralised management

«Decentralised decision-making allows us to respond quickly to emerging market trentds.»

To compete in the global marketplace with the necessary flexibility, the company is managed decentrally with six geographic areas which make decisions with the support of the Corporate Areas and Network Services vested with Group-wide powers.

(For more information, refer to section 6.2 Governance bodies - Management Board).



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3. We are driven by our Identity

3.3. Stakeholder engagement

[102-17, 102-40, 102-42, 102-43]



CIE Automotive has identified nine groups of stakeholders that interact with the company and are affected directly or indirectly by its business activities: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the automotive sector and financiers.

STAKEHOLDER GROUPS

SHAREHOLDERS

- ✓ The company generates value for its shareholders by increasing the company's value and the dividends they receive every year.
- ✓ It provides transparent, accurate and timely information to the investment community.
- ✓ It earns the market's trust.

PROFESSIONALS

- ✓ The company provides decent work in all its business markets and the training needed so its professionals can do their jobs.
- ✓ It protects employee well-being in a safe and healthy workplace.
- ✓ It facilitates collective bargaining.
- ✓ It promotes respect for human rights with an emphasis on more vulnerable markets.

CUSTOMERS

- ✓ The company is strategically committed to innovation to meet customers' demands.
- ✓ It guarantees the quality and safety of its products.
- ✓ It fine-tunes the supply chain continually.
- ✓ It manages its resources efficiently in order to contain prices.

BUSINESS PARTNERS

- ✓ The strategic alliances with Mahindra&Mahindra, Ltd. in India and Donghua Automotive Industrial (SAIC Group) in China bring enhanced knowledge of and adaptation to the local market.

SUPPLIERS

- ✓ The company guarantees its suppliers are given equal opportunities.
- ✓ It promotes transparency and optimal pricing.
- ✓ It provides fair payment terms.
- ✓ It reaches out to its supplies as part of its effort to deliver customer satisfaction.

SOCIETY

- ✓ The company drives development through its activities in its operating markets.
- ✓ It finances community work targeted at the least privileged.
- ✓ It helps make safer and more comfortable and environmentally-friendly cars.

PUBLIC AUTHORITIES

- ✓ The company works with the authorities in its business communities to improve various services.
- ✓ It implements their requirements at its facilities, cooperating lawfully and transparently.

SECTOR

- ✓ The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.

FINANCIERS

- ✓ The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.

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Its stakeholder relations are framed by the 2015-2018 Corporate Social Responsibility Strategic Plan, which sets down the lines of initiative to be pursued and the channels for communicating with each.

Corporate website

The corporate website www.cieautomotive.com provides relevant information about the company: in addition to information about possible jobs in the dedicated human resources tab, the supplier tab provides access to the new Suppliers Portal. There is also a 'Press Centre' with all of the company's press releases and an extensive investors and shareholders tab containing all the documentation required under securities market regulations (CNMV Circular 3/2015).

Specific contacts for each stakeholder group

CSR and Society: Susana Molinuevo
csr@cieautomotive.com

Professionals: Javier Álvarez
hr@cieautomotive.com

Investor relations and business partners: Lorea Aristizabal
ir@cieautomotive.com

Customers and sector: Mikel Orbegozo
sales@cieautomotive.com

Supply chain: Irache Pardo
purchasing@cieautomotive.com

Financiers: Irache Pardo
financierocie@cieautomotive.com

Public authorities:
compliance@cieautomotive.com

Mailing address

Any stakeholder so wishing may also write to the department in question at the following address:

AIC - Automotive Intelligence Center, Parque Empresarial Boroa, Parcela 2A – 4, 48340 Amorebieta (Bizkaia), Spain.

To report anything of concern using the whistle-blowing channel, stakeholders may write to the Compliance Department at the following address [102-17]:
Alameda Mazarredo 69, 8º. 48009 Bilbao (Bizkaia), Spain.

Whistle-blowing channel

Anyone can notify unethical conduct or breaches of the company's business ethics or any of the matters stipulated in CIE Automotive's Code of Conduct through this channel. [102-17]

Whistle-blowing channel e-mail inbox:
whistleblowerchannel@cieautomotive.com

Materiality assessment

[102-21, 102-31, 102-44, 102-46, 102-47, 103-1, 103-2, 103-3]



In publishing this Annual Report, CIE Automotive is attempting to report to all of its stakeholders on the environmental, social and governance topics they view as relevant. To this end, in 2017, the company conducted a materiality assessment to identify which topics are most important to the company and to its stakeholders. To help it, it engaged an independent expert (Deloitte), and consulted with internal and external sources.

METHODOLOGY

The materiality assessment was conducted in two phases:

- **PHASE 1:**

External and internal analysis of the burning issues in the ESG arena

During this first phase, the goal was to determine the ESG matters of greatest relevance to CIE Automotive and its stakeholders.

Externally, the analysis encompassed the hot topics in the media, best practices in the sector, the demands being made by the company's key customers and a review of the Sustainable Development Goals (SDGs) and the updated version of the GRI standards.

Internally, the analysis addressed progress on the 2016-2020 Business Plan, the Code of Conduct, the firm's anti-corruption and fraud, and risk and control management policies and the documentation pertaining to management of the supply chain.

- **PHASE 2:**

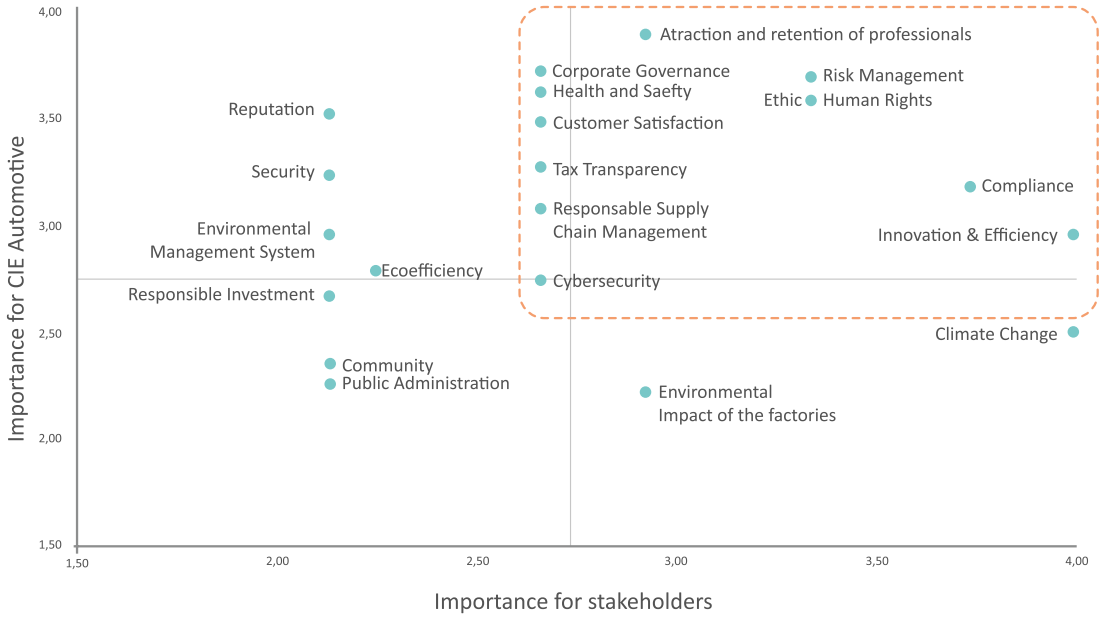
Prioritisation of the issues identified as relevant

In order to prioritise the issues objectively, a weighted count was made of the number of times the issues of relevance to stakeholders were reported about externally; internally, CIE Automotive organised a workshop attended by the directors and managers of the European factories and members of the Cross-Group CSR Committee to evaluate the issues identified during phase 1. Twenty-one topics of interest were rated on two scales: the importance to CIE Automotive and the extent to which the issue is currently being managed.

These two phases of work enabled the formulation of a materiality matrix which highlights in the upper right hand quadrant the matters of greatest importance to CIE Automotive.

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2017 MATERIALITY MATRIX



GLOBAL ROLLOUT OF THE CSR WORKSHOPS [205-2]

In 2018, the company complemented that analysis thanks to new CSR workshops attended by 140 executives and managers from the Brazilian, Indian, Chinese, North American and Mexican plants, which enabled it to broaden its vision of the issues of greatest concern in each country.

The workshop agendas were articulated around management of CIE Automotive's expectations and needs with respect to its stakeholders (shareholders, customers, business partners, society, public authorities, the automotive sector and CIE Automotive's professionals). Materiality determination processes were also conducted to identify which environmental, social and governance (ESG) criteria worry the organisation the most and understand how those issues are being managed in each of the countries mentioned.



USA



CHINA

MEXICO

BRAZIL



INDIA





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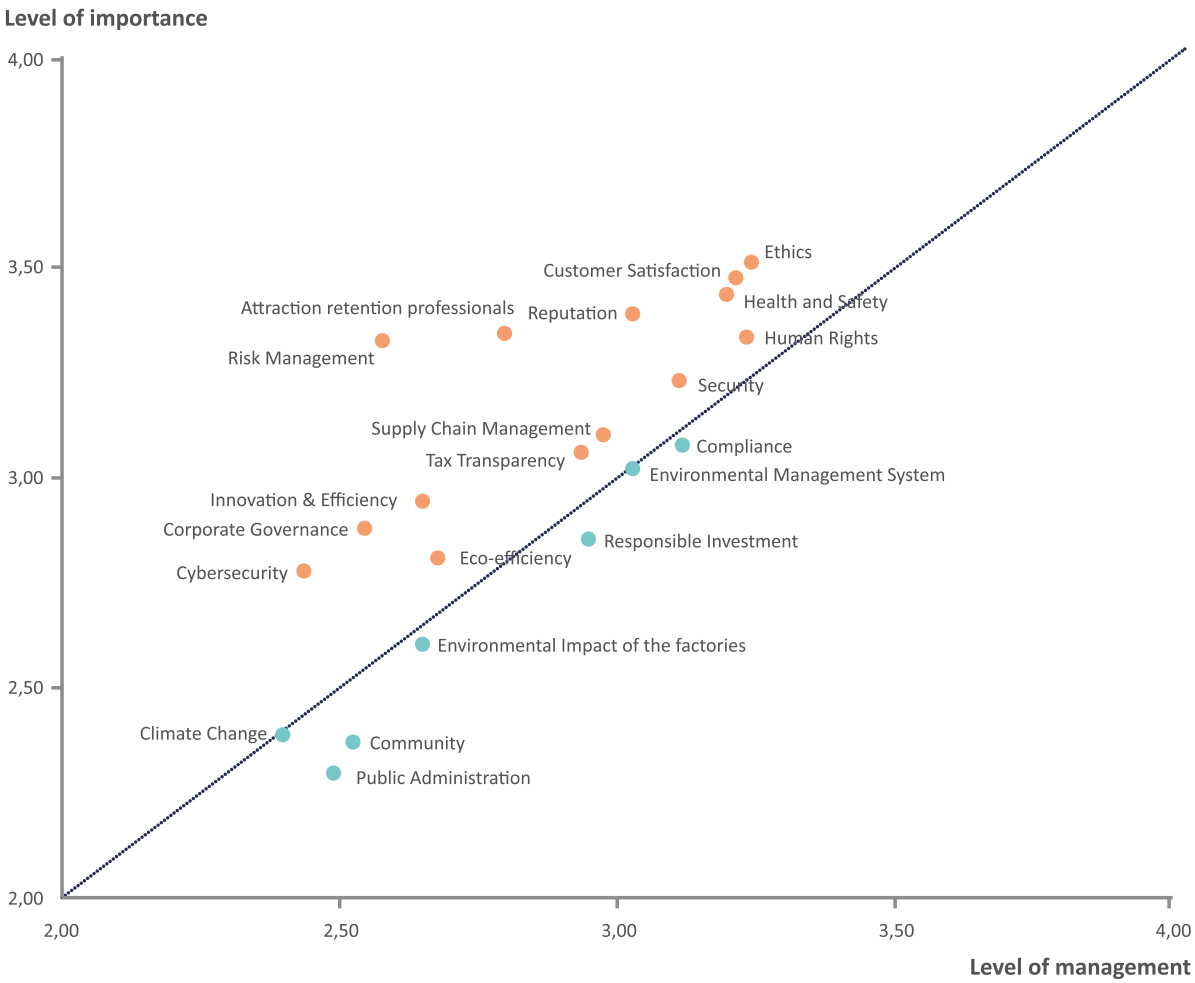
That analysis revealed that all of the countries have concerns in common, such as customer satisfaction, ethics, risk management, supply chain management, respect for human rights, workplace health and safety and reputation. The factory managers see these aspects are important enough to warrant greater attention than they are currently receiving.

To manage all of these aspects, the importance of the reliability and thoroughness of the information (financial and non-financial) reported by the plants was emphasised.

Participants were given a tour of the corporate website to stress the ready availability of the company's codes of conduct and ethics and all other information of potential relevance to stakeholders.

Lastly, the company took advantage of the workshops to reiterate the importance of complying with the Code of Conduct and to remind everyone of the existence of a whistle-blowing channel which can be used by anyone in the organisation to report any perceived breach of CIE Automotive's rules of business.

2018 MATERIALITY MATRIX



Below is a list of the most relevant GRI indicators that will be addressed in this Annual Report on the basis of the results of the materiality assessment.

MATERIAL TOPICS

GRI	Contents	Correspondence with the Materiality	Section
GRI 102 General disclosures	102-2 Activities, brands, products, and services	Innovation and efficiency	5.5 Innovation and technology
	102-8 Information on employees and other workers	Attracting and retaining talent	5.3 The team
	102-16 Values, principles, standards and norms of behaviour	Ethics	3.1 Mission, vision and values 6.3 Business ethics
	102-17 Mechanisms for advice and concerns about ethics	Ethics	6.3 Business ethics
	102-18 Governance structure	Corporate governance	5.1 CSR Management 6.2 Governance bodies
	102-30 Effectiveness of risk management processes	Risk management	6.4 Risk management
	102-42 Identifying and selecting stakeholders	Customer satisfaction	3.3 Stakeholder engagement
	102-43 Approach to stakeholder engagement	Customer satisfaction	3.3 Stakeholder engagement
	102-47 List of material topics	N/A	3.3 Stakeholder engagement
GRI 201 Economic performance	201-1 Direct economic value generated and distributed	Tax transparency	2.1 2018 in review
GRI 202 Market presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Attracting and retaining talent	5.3 The team
GRI 204 Procurement practices	204-1 Proportion of spending on local suppliers	Responsible supply chain management	5.6 Suppliers

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GRI 205 Anti-corruption	205-2 Communication and training on anti-corruption policies and procedures	Ethics	6.3 Business ethics 6.4 Risk management
	205-3 Confirmed incidents of corruption and actions taken	Ethics	6.3 Business ethics
GRI 302 Energy	302-1 Energy consumption within the organisation	Climate change	5.7 Environmental disclosures
GRI 307 Environmental compliance	307-1 Non-compliance with environmental laws	Compliance	5.7 Environmental disclosures 6.1 Corporate governance principles
GRI 308 Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	Responsible supply chain management	5.6 Suppliers
GRI 401 Employment	401-1 New employee hires and employee turnover	Attracting and retaining talent	5.3 The team
GRI 403 Occupational health and safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health & safety	5.3 The team
GRI 404 Training and education	401-1 Average hours of training per year and per employee	Attracting and retaining talent	5.3 The team
	404-2 Programmes for upgrading employee skills and transition assistance programmes		
GRI 412 Human rights assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	Human rights	5.3 The team
	412-2 Employee training on human rights policies or procedures	Human rights	5.1 CSR management 5.3 The team
GRI 414 Supplier social assessment	414-1 New suppliers that were screened using social criteria	Responsible supply chain management	5.6 Supply chain
GRI 419 Socioeconomic compliance	419-1 Non-compliance with laws and regulations in the social and economic area	Compliance	6.1 Corporate governance principles
The GRI standards do not have a specific indicator that fits with the topic addressed by CIE Automotive in its Annual Report.		Cybersecurity	6.4 Risk management

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4. We are driven by our Strategy

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4.2 2016-2020 Business Plan
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4. We are driven by our Strategy

Because we are convinced that in order to achieve great things we need to set ambitious targets and work day in and day out to meet them. Those who know us know that we never let our profit standards drop, not even in times of crisis. In 2018 we had to overcome many obstacles but we managed to stay on track for delivery of our strategic objectives.

4.1 Market environment and trends



THE AUTOMOTIVE SECTOR EXPERIENCED A YEAR OF UNCERTAINTY

Uncertainty dominated the automotive market in 2018. In addition to adverse macroeconomic factors such as the slowdown in China, the market had to tackle challenges of a geopolitical nature, such as the US threat of tariffs on car imports, and of a legal nature, notably the new European emissions regulations. As a result, global production totalled 94.2 million vehicles, which is nearly 1 million fewer than in 2017, while vehicle sales amounted to 93.6 million units, down half a million. In parallel, the carmakers continued to invest sizeable sums in electrification, in upgrading their conventional engines and in exhaust fume treatment technology. The extensive range of engines previously in existence in all segments narrowed significantly.

VEHICLE PRODUCTION* WORLDWIDE

(millions of units)	2016	2017	2018
Europe	21.4	22.1	21.7
Greater China	27.4	28.0	27.0
Japan & Korea	12.9	13.3	13.2
North America	17.8	17.1	17.0
South America	2.8	3.3	3.4
India	4.2	4.5	4.8
Middle East/Africa	2.3	2.6	2.6
Rest of Asia	4.4	4.4	4.7
Total	**93.1**	**95.2**	**94.2**

(*) Vehicles weighing from 0 to 6 tonnes
Source: IHS Markit Automotive: sales and production report

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VEHICLE SALES* WORLDWIDE

(millions of units)	2016	2017	2018
Europe	19.7	20.5	20.4
Greater China	28.0	28.4	27.4
Japan & Korea	6.6	6.9	7.0
North America	21.1	20.8	20.7
South America	3.9	4.3	4.7
India	3.4	3.7	4.0
Middle East/Africa	4.8	4.7	4.5
Rest of Asia	4.6	4.9	5.1
Total	**92.2**	**94.1**	**93.6**

(*) Vehicles weighing from 0 to 6 tonnes
Source: IHS Markit Automotive: sales and production report dated January 2019.

More specifically in the regions in which CIE Automotive operates, the key sector trends were the following:

Europe

«The effectiveness of the new emission standards translated into heavily discounted sales in the third quarter and sharp corrections in production and sales in the fourth quarter.»

2018 was marked by the new emission standards which took effect on 1 September. Introduction of the Worldwide Harmonised Light Vehicle Test procedure (WLTP) implies the need to certify each make of passenger and four-wheel drive car in real conditions in addition to the previous laboratory simulations, forcing the carmakers to incur new adaptation and certification costs.

In the market, the arrival of the new emission standards translated into sharp spikes in heavily discounted sales of non-compliant vehicles to offload stocks in July and August. From September on, production and sales slumped across the board. The fourth-quarter slump was also shaped by various news reports about future regulations and restrictions on internal combustion engines in different cities and countries.

All of that translated into a 1.5% drop in production in 2018. The outlook for 2019 is for more normal growth rates for a mature market: growth of output of between 0 and 1%.

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North America

«After months of uncertainty, the US, Mexico and Canada reached a status quo agreement that eased the carmakers' fears.»

The North American automotive market contracted slightly (-0.6%) in 2018. Production came in at around 17.0 million vehicles, shaped by slight growth (+0.5%) in the US, flat production in Mexico and a contraction of 7.5% in Canada.

Over the course of the year, Donald Trump's threats of slapping tariffs on imports of certain goods, including cars, and the trade war between China and the US, left the sector volatile.

In the end, the US, Mexico and Canada reached a new tariff pact known as the USMCA, which in theory foreshadows continuity and has eased the fears of the OEMs and parts makers located in Mexico. The detailed terms of this new deal have yet to be officially published.

Brazil

«Brazil is making up for some of the ground lost during the crisis, registering production growth of 4% in 2018.»

Brazil is making up some of the ground lost during the crisis. Production increased by 4% to 2.8 million vehicles and is expected to continue to register annual growth of between 5% and 8% in the coming years.

The South American giant grabbed the eighth spot in vehicle production away from Spain and presents excellent growth prospects thanks to trade deals in Latin America and with Europe.

Asia

«India is expected to become the world's fourth-largest vehicle producer, after China, the US and Japan, by 2025.»

Asia is set to dominate the automotive market in the years to come with high volumes and compelling growth.

India is one of the highest-potential markets. In 2018, production increased by 7% up to 4.8 million units. According to the experts, by 2025 this country is expected to be the fourth-largest vehicle producer after China, the US and Japan, with output of close to 8 million vehicles produced.

In China, currently the world's number-one vehicle producer, there were moments of heightened uncertainty due to tariff-mongering in the US as well as the restructuring of vehicle purchase incentives which may be having the effect of temporarily pushing back sales. As a result, production contracted by 3.5% to 27.0 million vehicles, compared to 28.0 million in 2017.

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Trends in the automotive sector:

Shift towards hybrid and/or electric vehicles:

As emission standards are tightened and battery technology develops, electric vehicles are emerging as a significant driver of growth for the automotive sector. It is expected that in the years to come the automotive industry will invest heavily in developing models in this segment featuring new parts such as electric engines and batteries. There is huge upside, therefore, for the manufacture of parts associated with the gradual growth in vehicle hybridisation and electrification.

CIE Automotive is already supplying OEMs with parts for electric motors. For example, it supplies battery housing to Tesla and housing reducers to Renault and Nissan. This emerging trend is letting the company develop its product portfolio and leverage its mastery of a range of technologies to add next-generation, more profitable parts that meet its customers' demands.

Growing incidence of outsourcing:

We expect the shift by our customers towards outsourcing to continue and even gain pace as they focus their manufacturing on the areas related with the new technologies.

CIE Automotive has been benefitting from this trend in recent years, gaining market share astutely. Going forward, CIE Automotive expects to continue to benefit from this trend.

Growing focus on comfort:

Customers are increasingly looking for advanced features that enhance the driving experience in general; that trend is being boosted by the trend towards autonomous driving (the pleasure of driving will be replaced by the pleasure of comfort in the future). The OEMs are upgrading their trims in all ranges and are earmarking a growing percentage of total vehicle costs to their interiors. The suppliers with advanced capabilities in the areas of design, materials and manufacturing science, coupled with the ability to offer a broad range of interior parts to the quality standards required by the OEMs, are set to benefit from these trends.

CIE Automotive's wide range of products for interiors and roofing systems positions it ideally to benefit from these trends. Note that CIE Automotive bought into this trend in 2019 when it acquired ACS; in 2018, it took this strategy a step further with the acquisition of Inteva's roofing system division, reinforcing its position in this segment.

Reducing the weight of vehicles:

In order to comply with emerging environmental standards across their various business markets, the OEMs are increasingly focusing on reducing the weight of the vehicles they make and the associated emissions. Initially, this trend was more pronounced in Western Europe, where these standards have tended to be stricter than in other markets. However, this trend is taking hold in China, North America and other markets as regulatory and industry standards are tightened.

As a result, the technological know-how built up in Europe with respect to this light-weighting trend is increasingly in demand in other markets. Fuel economy improves significantly as vehicles are lightened. Thanks to its multi-technology approach, CIE Automotive offers customers an incomparable portfolio of products designed to reduce vehicle weight at competitive prices. For example, CIE Automotive is a leading developer of light-weight parts for chassis systems thanks to its stamping and tube shaping technology; these products help its customers meet their carbon emission targets.

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4.2. 2016-2020 Business Plan



OUR ORGANIC GROWTH WILL SIGNIFICANTLY OUTPACE OVERALL MARKET GROWTH

In 2018 we raised the guidance contained in our 2016-2020 Business Plan upwards: during this period CIE Automotive expects its organic growth to exceed overall market growth, enabling it to multiply its 2015 net profit by a factor of 2.5 to €300 million in 2020.

2016-2020 BUSINESS PLAN

	Starting point 2015	2016-2020 Business Plan Original targets	Current guidance 2020 TARGETS
Growth	-	2X mercado	~ 4X mercado
EBITDA margin	15.4%	> 17%	> 18%
EBIT margin	10.2%	~ 13.0%	> 14.0%
NET PROFIT	€118 million	x2	x2,5
RONA*	16%	> 20%	~ 23%
Net debt/EBITDA**	2.0x	~ 0.7x	~ 1.0x
Operating cash flow generation***	50%	~ 50%	~ 55%
Annual capex	7.5%	~ 7%	~ 7.5%

**RONA (Return On Net Assets) = EBIT/(fixed assets + net working capital - goodwill not derived from cash flows).*
***Net debt = Bank and other borrowings less cash and cash equivalents – Other current and non current financial assets.*
****Operating cash flow generation = (EBITDA – finance costs – maintenance capex – tax) / EBITDA*

The upward revision to the Business Plan in 2018 implies the following targets for 2020:

- Expansion of more than 200 basis points in profit margins in between 2018 and 2020.
- Profit-after-tax margin of over 10%.
- Net profit growth of approximately 50% in three years (2018-2020).
- Distribution of €400 million in dividends thanks to earnings momentum and the distribution of shares of Dominion.

«Upward revision to guidance for 2020.»

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Foundations of the 2016-2020 business plan

- Customer, geographical and product/technology diversification.
- Strategic focus on process efficiency.
- Decentralisation and simplification of the chain of command. Lean structure.
- Long-term investment in human capital.
- Opportunistic M&A strategy without losing sight of the need to carefully select and closely control all types of investments.
- Industrial vocation with financial mentality.
- Reputation management.
- Progress on the digitalisation front towards factories 4.0.

Growth drivers in 2018

- Strategic commitment to the higher potential regions and to R&D effort.
- Arrangement of new financing to fund growth.



STRATEGIC COMMITMENT TO HIGHEST-POTENTIAL REGIONS

North America (Mexico):

The group is stepping up its investments in this market which is set to benefit from the continuity implied by the agreement reached with the US and Canada in 2018, coupled with demand for vehicles from the rest of Latin America.

Among the greenfield projects executed in 2018, it is worth highlighting the new factory in Puebla (CIE Nugar Puebla), devoted to welding and assembling stamped parts.

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Brazil:

In this market, CIE Automotive has established itself as one of the key parts makers, having resisted the crisis and undertaken restructuring to put it in a privileged position for competing.

In 2018, it integrated the CIE Autometal Minas factory devoted to the injection moulding, chroming and painting of plastic parts.

Asia (India):

Since its alliance with Mahindra&Mahindra, Ltd., which gave rise to the Mahindra CIE conglomerate, one of CIE Automotive's top priorities has been to build its presence in India, where the growth potential is huge.

To this end, in 2018 it acquired an additional 5% of Mahindra CIE from its local partner, paying €60 million for this stake. In the wake of that transaction, CIE Automotive holds 56% of that conglomerate's shares.

Europe:

«In Europe we are striving to be best-in-class in terms of know-how.»

In Europe, the company remains strategically committed to value-added products and its R&D effort. This strategy is yielding excellent results in a market that is already mature.

During the year, the company launched its second crankshaft production lines at CIE LT Forge. The investment in this factory, located in Marijampole (Lithuania), amounted to €8 million. The new line will triple its production capacity to 1.5 million units a year.

In addition to it, there was also an expansion of the fuel rail lines for petrol engines in Spain (CIE Norma), and an investment approval for a third production line.

(For more information, go to Section 5.2 Customers)

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GROWTH FUNDING

In the second quarter of the year, CIE Automotive secured new financing to enable it to continue to grow and generate returns for its shareholders.

With the aim of further diversifying its sources of financing and ensuring CIE Automotive can tackle looming challenges from a position of greater financial strength, it arranged the following noteworthy loans:

$150 million for growth in Mexico

In July, the group arranged a 10-year $150 million loan with the International Finance Corporation (World Bank Group) and EDC (Export Development of Canada) to help finance its burgeoning growth in Mexico.

This loan forms part of CIE Automotive's structural financing. It will permit the creation of over 1,000 new jobs and pave the way for the delivery of significant energy efficiency gains in this market, as well as the development of a competitive local supplier base.

€80 million for R&D in Europe

Last year, the European Investment Bank (EIB) extended the company an €80 million loan to fund the R&D effort across its European centres.

CIE Automotive is planning to focus its investments in innovation on hybrid and light-weight materials. The company's R&D goals also include the design and manufacture of new electric vehicle parts. To this end, it will implement new digital production processes and circular economy loops that will enable it to use energy more efficiency through the recycling and reuse of certain raw materials.

Thanks to these loans, CIE Automotive looks to the future with over €200 million of borrowings not due for 10 to 12 years, from entities that can offer global and long-lasting relationships. Indeed, the loan from the EIB is the third arranged in recent years, having repaid the first loan extended back in 2010.

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Commercial paper programme of up to €200 million

«CIE Automotive issued commercial paper for the first time last year to cover its working capital needs as a competitive alternative to bank financing.»

In 2018, CIE Automotive issued commercial paper for the first time to cover its working finance requirements as an alternative to bank financing, securing highly competitive costs on an international market

The programme was arranged on the Irish Stock Exchange in July. The placement agents were Banca March (which also acted as arranger), Banco de Sabadell, Banco Santander, BNP Paribas and Crédit Agricole Corporate and Investment Bank.

CIE AUTOMOTIVE'S DEBT STRUCTURE

(in million euros)	2016	2017	2018	MATURITY	KEY TERMS
Syndicated loan	~ 550	~ 466	~ 400	April 2023	• Euro denominated loan • Rate range based on ND/ EBITDA • €360m loan for the automotive segment plus a €240m revolving credit facility
EIB and IFC	~ 70	~ 61	~ 82	7 & 10 years with a 2-year grace period	• Euro- and dollar-denominated loan • Partially fixed-rate • ~€180 million available
Long-term loan	~ 85	~ 85	~ 81	10 years	• Euro-denominated loan
Bank of America and other Mexican lenders	~ 71	~ 162	~ 162	7 years with a 1-year grace period	• Dollar-denominated loan • Partially swapped to fixed rate
Other	~ 359	~ 384	~ 616	Sundry	• Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.
Gross debt	**~ 1,135**	**~ 1,158**	**~ 1,340**		
Cash and cash equivalents	~ 240	~ 201	~ 392		
Net debt	**~ 895**	**~ 957**	**~ 948**		

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4.3. CSR Strategy

In 2018, CIE Automotive delivered the objectives it had set in its 2015-2018 CSR Plan. Having attained them, it focused its efforts on formulating and approving a new plan to 2020 with the aim of further systematising and standardising its CSR effort. The new plan specifically factors in its stakeholders' concerns.

2015-2018 CSR PLAN TARGETS

Supporting CIE Automotive's 2016-2020 Business Plan and mitigating reputational risks.
Enhancing the company's CSR positioning.
Increasing non-financial information control and reliability.
Responding appropriately to customer needs in the CSR arena.
Capturing new talent to facilitate growth.
Mitigating supply chain risks.
Responding to corporate governance regulatory requirements and recommendations.

CIE Automotive's new CSR Plan features the following lines of initiative:

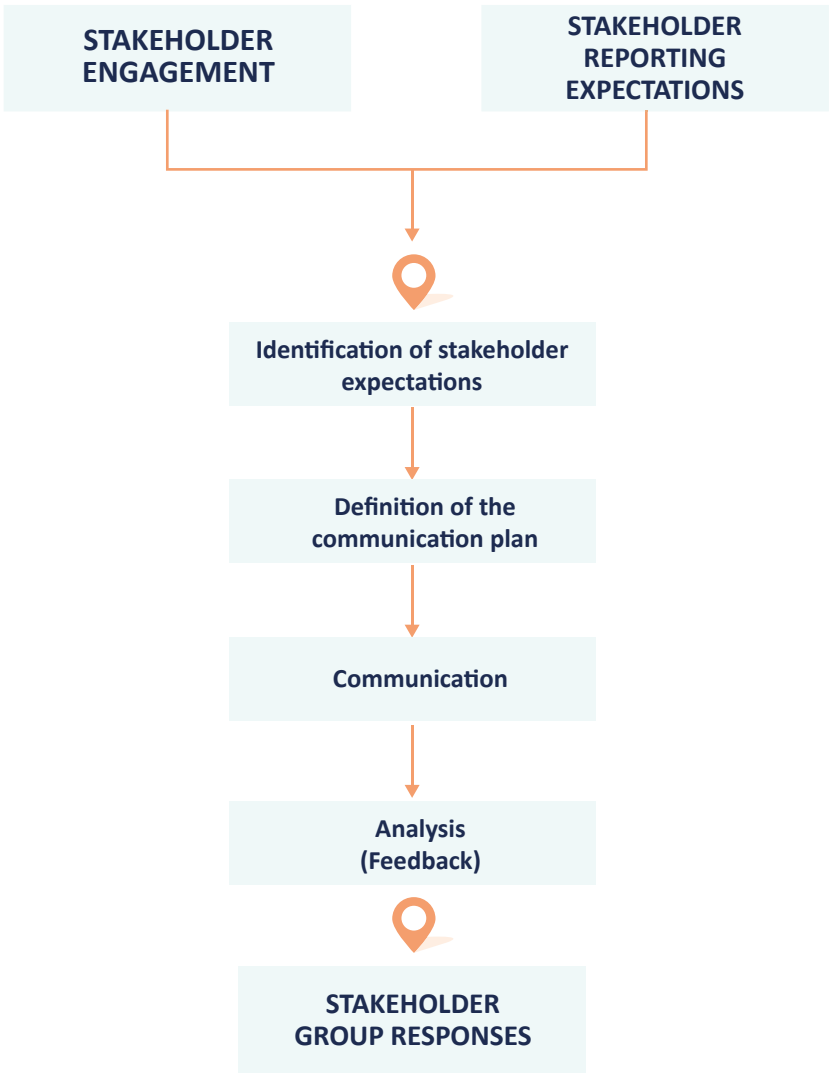
2019-2020 CSR PLAN TARGETS

- Consolidation of the compilation of non-financial information.
- External assurance for new GRI indicators (goal: full assurance).
- Establishment of ESG targets for each department.
- Implementation of a CSR working methodology that can grow with CIE Automotive.
- Systematisation of communication with stakeholders.

(For more information, go to Section 5.1 CSR Management)

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With the aim of perfecting its CSR management system and improving its reporting effort, the company continued to analyse the concerns of its stakeholders identified through the materiality assessment conducted in 2017 and also voiced during the CSR Workshops held around the world throughout the year.



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Because we want to combine our profitable and sustainable growth with stringent social and environmental objectives and because we are convinced that the interests of our employees, customers, investors, suppliers and communities are own best interests. Because we are aware of the importance of minimising our negative impact on our natural surroundings and of preserving them for future generations. Because we are convinced that our performance and sustainability go hand in hand.

5.1 CSR management

[102-12, 102-18, 102-31, 412-2]



WE ROLLED OUT OUR CSR WORKSHOPS WORLDWIDE

MILESTONES IN 2018

- Approval of the new 2019-2020 CSR Plan.
- Celebration of the first CSR Workshops in the US, Mexico, Brazil, India and China.
- Signatory of the Spanish Network of the Global Compact.

LINES OF INITIATIVE UNDERTAKEN IN 2018

- Global rollout of the CSR Workshops: dissemination of the milestones and advances achieved on the CSR front.
- Formulation of a new 2019-2020 CSR Plan.
- Definition of a community work model in line with the guidelines approved by the CSR Committee in December 2017.
- Implementation of a work methodology designed to accompany the group's growth.
- Review and analysis of the CSR indicators.

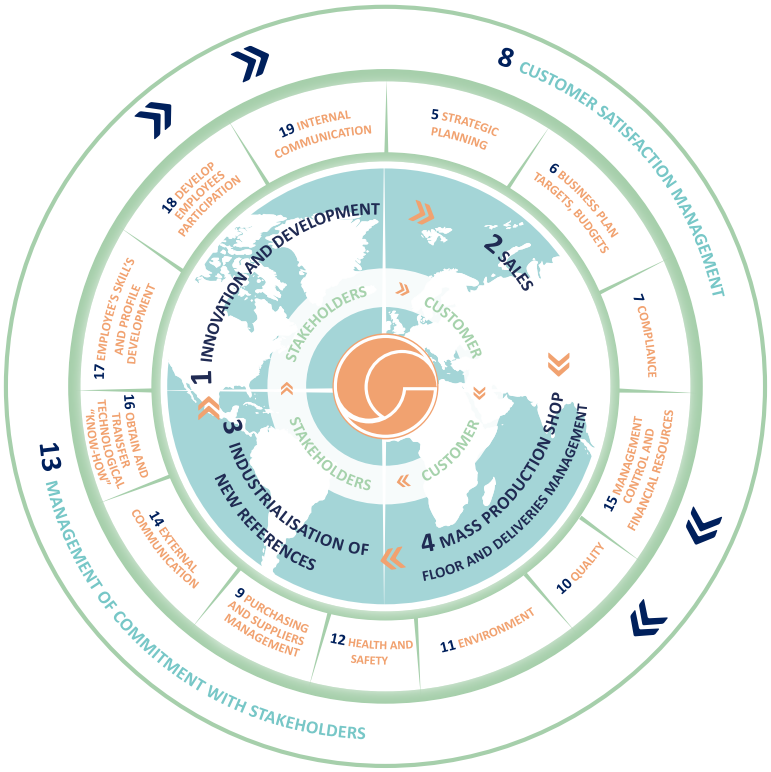
LINES OF INITIATIVE UNDERTAKEN IN 2019

- Incorporation of non-financial indicators into each facility's management plan.
- Start-up of the *Caminando hacia el futuro* [Walking towards the future] programme in Mexico under the umbrella of the strategic alliance with Save the Children.
- Provision of training to all employees on how to combat corruption and bribery and on environmental awareness.

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CIE Automotive sees sustainable development as an opportunity for improving its business, which is why it is layering social and environmental principles into its everyday management, framed by the group-wide CSR Policy approved in 2015. In 2018 it continued to make progress on harmonising its CSR efforts in all of its markets by bringing its CSR Workshops worldwide. In order to ensure continued progress, it approved a new CSR Plan with targets for 2020 and strengthened its commitment to the Global Compact by becoming a Signatory of the Spanish Network.

EMBEDDING CSR INTO PROCESSES



Globalisation of the CSR Workshops

«US, Mexico, China, India and Brazil completed its first CSR workshop.»

Having successfully completed its first CSR Workshop in Europe in October 2017, CIE Automotive introduced this event in several new countries: Brazil (CIE Autometal Diadema) in March; the US (Century Plastics) in July; Mexico (CIE Nugar) in September; China (ACS Shanghai) in October; and India (Magnetics Product Division) in November. Those workshops were attended by the management teams from all of the factories in each of those regions.

The goal of the workshops was to publicise the milestones and progress attained on the CSR front at CIE Automotive and to identify the environmental, social and governance aspects of greatest concern to the members of the organisation in order to enhance their management in all countries.

That analysis revealed several common concerns, including customer satisfaction, ethics, risk management, supply chain management, respect for human rights, workplace health and safety and reputation.

(For more information, go to Section 3.3 Stakeholder relations)

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New 2019-2020 CSR Strategic Plan

During 2018, the company designed a new CSR Strategic Plan for 2019 and 2020 which lays the foundations for the materialisation of its public and voluntary commitment to social, environmental and governance criteria.

The new plan, approved in June, furthers the systematisation and standardisation of CSR management across the entire group by improving measurement, communication and reporting systems and setting new ESG targets for each department.

The new plan has a two-year horizon to bring it in line with the company's next Business Plan.

(For more information, go to Section 4.3 CSR Strategy and 5.8 Community)

Enhanced commitment to the Global Compact

«We have become a Signatory of the Global Compact's Local Network in Spain.»

CIE Automotive has been a member of the United Nations Global Compact since October 2015. That membership implies a commitment to acting as an agent of development and generating positive impacts on society as a whole based on compliance with the 17 Sustainable Development Goals (SDGs).

In 2018, the company took its commitment a step further by becoming a Signatory of the Spanish Network of the Global Compact, which is populated by over 640 organisations. At the Local Network level, the idea is to work in alliances that enable the contribution of greater value added to member organisations and to the community alike.

(For more information, go to Section 7.3 Sustainable Development Goals)

Policy and how it works
[102-18, 102-19, 102-20, 102-27, 102-32]

Everything CIE Automotive does is framed by its commitment to responsible management, set down in its CSR Policy and implemented in a body of internal CSR rules and policies that are approved by the Board of Directors (refer to the CSR Tab on the corporate website).

The CIE Automotive group's CSR policy crystallised in 2018 in delivery of its 2015-2018 Corporate Social Responsibility Business Plan which was articulated around four dimensions: the governance, social, economic and environmental dimensions.

Effective application of the CSR Policy and the potential risks associated with it are addressed in the Risk Management and Control Policy, which follows the ISO 31000 methodology.

CSR management is supervised by the Corporate Social Responsibility Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group CSR Committee.

To measure its performance on the various ESG aspects, CIE Automotive has established group-wide CSR indicators in the following areas: supply chain, HR, environmental management and community work.

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CROSS-GROUP CSR COMMITTEE

Member	Area
Javier Álvarez	Human Resources
Lorea Aristizabal	Corporate Development
Gonzalo Ceberio	Quality & Environment
Iker Hernández	Internal Control and Risk Management
Susana Molinuevo	CSR & Compliance
Mikel Orbegozo	Sales
Irache Pardo	Supply Chain
Angel Zalduegui	Internal Audit

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5. We are driven by engagement

5.2. Customers



OUR CUSTOMERS ACKNOWLEDGE THE VALUE WE ADD FOR THEM [103-1, 103-2, 103-3]

CIE Automotive's business is articulated around satisfying its customers, which include Original Equipment Manufacturers (OEMs) and TIER-1 suppliers. The company wants its customers to see it as a partner thanks to its comprehensive, innovative and competitive offering. With this goal in mind, in 2018 it invested €120 million in upgrading and expanding its productive facilities, many of which hold or are on the verge of holding triple certification. This effort has earned the company multiple prizes.

The group locates its operations where its customers need it to, provides its customers with what they need when they need it and creates added value for them in everything it does. In order to translate this philosophy, enshrined in the group's process map and its Health, Safety, Environmental and Quality (HSEQ) Policy, into reality, the company continued to improve its facilities and products in all the regions where it does business.

«We continue to fine-tune our factories and products in all our business regions.»

KEY MILESTONES IN 2018

METAL STAMPING AND TUBE FORMING	**EUROPE**: The CIE Norma factory, located in Spain's Basque region, inaugurated its second common fuel rail line. In 2020 it will have three fully operational lines devoted to this product, making it a benchmark supplier of this product at the European level (high and low pressure injection systems). **MEXICO**: Traction in the supply of stamped and welded parts for the TESLA Model 3 from the CIE Nugar factory. **INDIA***:* Start of construction of a new stamping factory in Kahne featuring automated processes.
FORGING	**NORTH AMERICA**: HYUNDAI has contracted the forging factory in Celaya to make two new crankshafts for delivery in Monterrey (Mexico) and Alabama (US). **BRAZIL**: Launch of a new line in the CIE Autoforjas factory for strategic products (tulips and CV joint housings) for NTN and NEXTEER, customers expected to deliver substantial growth.
ALUMINIUM	**GLOBAL**: Successful launch of a ladder frame for the Ford DRAGON engine for manufacture in three different regions: Europa, North America and South America. **EUROPE**: RENAULT awarded business to CIE Matricon (Romania), specifically to make filter holders using aluminium injection technology for electric vehicles fitted with the 5AQ engine.

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MACHINING	**EUROPE:** • The company's French factory, CIE Compiegne, successfully completed the industrialisation of the first fuel injection rail for petrol engines. • CIE Recytec (Basque region, Spain) was awarded a new project encompassing a range of transmission system parts for BORGWARNER, featuring new technology such as laser welding between plastic and metal parts and double frequency induction heating.
PLASTICS	**EUROPE:** • Acquisition by CIE Plasfil (Portugal) of a new plastic injection press featuring full-electric technology designed to deliver enhanced processes while ensuring better energy efficiency. This investment covers all parts that require low clamp tonnage. •Launch at CIE Orbelan (Basque region, Spain) of new plastic moulds featuring heat-and-cool moulding technology for SEAT door grips. These moulds eliminate visible plastic weld lines, improving the aesthetics of decorative parts.
ROOF SYSTEMS: Advanced Comfort Systems (ACS)	Order for the largest panoramic sun roof on the market from RENAULT; the roof is designed for assembly bearing a higher load, comprised of sheet glass and a side impact structure. Order for an ultra-flat glass roof for ASTON MARTIN. This product is a fixed glass roof with an electric shade, based on modular architecture, which fits in the smallest frame ever made.

Total quality

The total quality concept has been embraced by the car industry and is present at CIE Automotive. In carrying out its activities the company puts the core tenets of prevention, training, automatic revision and continuous improvement into practice.

Thanks to this commitment to excellence, the company is able to obtain and maintain certifications in the quality, environmental and health & safety management fields.

«We are close to triple certification at many of our manufacturing facilities.»

With its management model at the core, the company transitioned from ISO/TS 16949 to IATF 16949:2016, the update of ISO 14001:2015, and is getting ready for the challenge posed by the new ISO 45000:2018, set to replace the current OHSAS 18001 over the course of 2019.

These challenges, which are global in nature and require bringing together different countries and cultures, help CIE Automotive to improve its model.

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GLOBAL CERTIFICATION MAP

	Certifications	IATF		ISO 14001		OHSAS 18001	
Europe*	40	40	100%	39	98%	30	75%
North America	14	14	100%	9	64%	0	0%
Brazil	12	12	100%	12	100%	3	25%
Asia (India & China)	21	15	71%	8	38%	8	38%
Total	**87**	**81**	93%	**68**	78%	**41**	47%

**The Europe region includes the factories located in Morocco and Russia.*

Due to certification requirements, three factories are included in the certifications obtained by other factories: CIE Celaya Metal (included in the CIE Celaya Aluminio certification), CIE Nugar Puebla (included in CIE Nugar), and CIE USA II (included in CIE USA).

Note that the group did not incur any material sanctions for non-compliance with environmental laws and regulations in 2018. Significant fines are those of €30,000 or more. [307-1]

Confidentiality

IE Automotive fosters the responsible use of information and guarantees the confidentiality of its customers' sensitive information at both the corporate level and in each of its divisions.

To this end, in 2018, it launched a project for the protection of its information assets framed by the following methodology and standards:

- Based on the leading international benchmark standards:
  - **ISO 27001**: Information Security Management Systems.
  - **ISO 27005**: New standard providing guidelines for information security risk management.
  - **ISO/IEC 27002/2005**

- Guidelines and general principles for initiating, implementing, maintaining, and improving information security management in an organisation.
- Real-time management of information security matters, framed by the continuous improvement concept (ISO 27001) and ensuring the traceability of all security management processes.

The company did not receive any complaints concerning breaches of privacy or losses of customer data in 2018.

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Certifications and accolades

Thanks to all of these commitments, CIE Automotive once again earned the acknowledgement of its customers in 2018.

PRIZES AND ACCOLADES

Cliente	Planta	País	Reconocimiento
Honda	CIE Plasfil	Portugal	Sustainable award First customer award for CSR effort
General Motors	Nanging Automotive Forging	China	Logistics and quality
General Motors	PEMSA Celaya	Mexico	Supplier Quality Excellence Award
General Motors	CIE Inyectametal	Spain	Supplier Quality Excellence Award
PSA	CIE Compiegne	France	Best of the Best Plant Award 2018 Second year running. This prize is awarded to factories that receive the Best Plant Award for three years in a row.
AISIN	CIE Taubaté	Brazil	*Logistics Achievement Performance Certificate*
Mercedes Benz	CIE Durametal	Brazil	*Prêmio Interação.* Excellence in logistics.
ZF	CIE Celaya Aluminio	Mexico	Excellence in motion 2018
NEXTEER	CIE Celaya Aluminio	Mexico	Perfect Quality 2018
NEXTEER	CIE Unitools Press	Czech Republic	Perfect Quality 2018
Bosch	CIE Celaya Aluminio	Mexico	Best supplier award North America 2016/2017
Bosch	Bill Forge Bommasandra	India	Achieving Delivery Target-2018 under Silver Category
Endurance Technologies Limited	Bill Forge Bommasandra	India	Special Award For Quality

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Bajaj Auto Limited	Bill Forge Bommasandra	India	BAL TPM Excellence
Bajaj Auto Limited	Bill Forge Bommasandra	India	Quality Award GOLD
Ford	CIE Galfor	Spain	Q1
Ford	CIE Autometal Camaçari	Brazil	Q1 This award recognises managerial excellence in quality, deliveries, operating systems, material management and compliance with environmental requirements.
Jaguar Land Rover	CIE Galfor	Spain	JLRQ

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5.3. The team



WE HIRE EFFICIENT TALENT AND WE TAKE CARE OF OUR PROFESSIONALS' HEALTH AND SAFETY
[102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 202-1, 401-1, 412-1]

MILESTONES IN 2018

- 14% increase in training hours and 3% increase in the number of professionals receiving training to nearly 90% of the workforce in 2018.
- 12% cent reduction in the number of accidents and an 18.4% reduction in the injury frequency rate.
- Expansion of the Ulysses programme with a particular focus on Mexico.
- Integration of the entire workforce added as a result of the acquisition of CIE Autometal Minas in Brazil (former Zanini Brazil).

LINES OF INITIATIVE IDENTIFIED FOR 2019

- Continuity of the 2020 Health & Safety Programme. Continuous improvement in indicators and growth in the number of OHSAS-certified plants.
- Integration into the group of the workforce at the roofing system division acquired from Inteva.
- Launch of design of a Corporate Equality Plan.

The CIE Automotive team is made up of 23,262 employees from a range of nationalities who perform their duties all over the world. CIE Automotive views its team as a strategic asset, as the success of the company depends on their performance. As a result, the management of its human capital and the protection of their health and safety are priorities for CIE Automotive, priorities put into practice via a Human Resources Plan framed by its Human Rights Policy. That policy lays down the principles that govern the management of the group's workforce.

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EMPLOYMENT AT CIE AUTOMOTIVE [405-1]

	2016	2017	2018
No. of employees	**20,926**	**22,899**	**23,262**
EUROPE	6,034	6,221	6,240
SPAIN	2,501	2,548	2,602
GERMANY	857	808	834
CZECH REPUBLIC	853	876	794
FRANCE	394	395	371
PORTUGAL	257	285	330
ROMANIA	317	321	328
ITALY	249	254	280
SLOVAKIA	226	245	243
LITHUANIA	172	197	231
RUSSIA	58	107	111
UNITED KINGDOM	101	97	75
MOROCCO	49	88	41
NORTH AMERICA	4,711	6,142	6,224
MEXICO	4,101	4,680	4,545
USA	599	1,459	1,678
GUATEMALA	11	3	1
BRAZIL	3,010	3,574	3,652
ASIA	7,171	6,962	7,146
INDIA	6,449	6,271	6,391
CHINA	721	691	755
UNITED ARAB EMIRATES	1	0	0
Fixed/indefinite contracts, %	80%	78%	82%
Average fixed/indefinite contracts, %	77%	79%	80%
Temporary contracts, %	20%	22%	18%
Average temporary contracts, %	23%	21%	20%
Female employees, %	14%	16%	16%
Female hires, %	18%	18%	25%
Employees with some form of disability, %	1.5%	1.5%	1.6%
Employees covered by collective bargaining agreements, %	63%	63%	62%

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INFORMATION ON EMPLOYEES [102-8] [401-1]

At the end of 2018, the CIE Automotive team comprised 23,262 people, year-on-year growth of 1.6%. The increased headcount is attributable to the group's organic growth and the incorporation of the 101 employees of CIE Autometal Minas (formerly Zanini Brazil).

«In 2018, 7,329 joined CIE Automotive and 4,853 people left of their own free will.»

In 2018, 7,329 people joined CIE Automotive and 4,853 left the company of their own free will. Hiring was concentrated in Mexico and India.

BREAKDOWN OF HIRES AND DEPARTURES BY AGE AND GENDER

	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total women	Total
NEW HIRES	3,361	1,806	348	5,515	782	902	130	1,814	7,329
VOLUNTARY DEPARTURES	2,252	1,047	295	3,594	552	593	114	1,259	4,853

BREAKDOWN OF LAYOFFS BY REGION

Region	No. of layoffs	Men	Women
Europe*	188	139	49
North America**	1,134	839	295
Asia	151	147	4
Brazil	542	452	90
TOTAL	**2,015**	**1,577**	438

**The Europe region includes the factories located in Morocco and Russia.*
***This region includes the Biofuels workforce in Guatemala.*

Female employees have been gaining weight at CIE Automotive in recent years: 25% of the new hires were female, which is higher than in previous years, while the number of female departures declined.

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WORKFORCE BREAKDOWN BY JOB CATEGORY AND GENDER

	2016	2017	2018
Executives	676	728	758
Men	632	667	690
Women	44	61	68
University graduates	5,528	5,913	6,055
Men	4,624	4,986	5,063
Women	904	927	992
Skilled workers	14,722	16,258	16,449
Men	12,658	13,607	13,707
Women	2,064	2,651	2,742
TOTAL	**20,926**	**22,899**	**23,262**
Total men	17,914	19,260	19,460
Total women	3,012	3,639	3,802



6,897 PEOPLE UNDER THE AGE OF 30 30%

13,005 PEOPLE AGED BETWEEN 30 AND 50 56%

3,360 PEOPLE OVER THE AGE OF 50 14%

DECENT WORK [102-8, 202-1, 202-2, 401-3, 404-3]

CIE Automotive offers its employees the best possible working conditions, including decent pay and job stability.

The company is committed to providing permanent contracts: 82% of its workforce (over 19,000 employees) enjoyed indefinite job contracts at year-end, whereas the 18% (over 4,000 employees) enjoyed temporary job contracts. By region, this percentage is highest in Europe, North America and Brazil are close to 90%; in Asia it stands at 70%.

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BREAKDOWN OF JOBS BY REGION

	Total headcount	Under indefinite contracts	%	Under temporary contracts	%
Europe*	6,240	5,410	87%	830	13%
North America	6,224	5,080	82%	1,144	18%
Asia	7,146	4,990	70%	2,156	30%
Brazil	3,652	3,539	97%	113	3%
	23,262	**19,019**	82%	4,243	18%

**The Europe region includes the factories located in Morocco and Russia.*

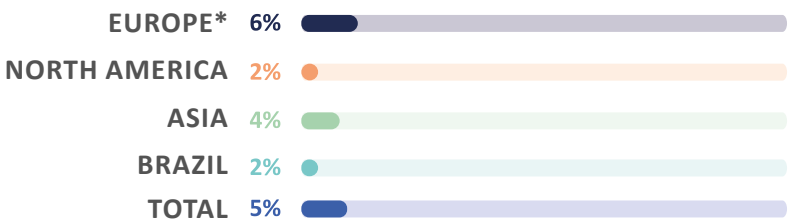
All CIE Automotive employees earn a fixed salary, commensurate with the type of work they do and their job performance. 50% (nearly 12,000 employees) were formally reviewed last year and 32% received a bonus in addition to their fixed pay as a result of delivery of set targets and/or excellent or improved performances.

«87% of CIE Automotive's plants are managed by local managers.»

87% of the group's plants are managed by local managers, which makes it easier to cover each region's specific needs, while evidencing the company's commitment to its local communities. Indeed, this attribute sets CIE Automotive apart and proves that diversity is not only a plus in its own right but also helps organisations achieve better results.

Absenteeism at the company stands at 5% (over three million work hours); it is more pronounced at some facilities than others.

ABSENTEEISM BY REGION [403-2]



**The Europe region includes the factories located in Morocco and Russia.*

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270 men and 148 women availed of paternity/maternity leave; note that these leaves are included in the absenteeism numbers. At the time this report was ended, 268 men and 113 women had returned to work after maternity/paternity leave. Those who have not yet returned from leave are still on leave. [401-3]

CIE Automotive uses the most conservative yardstick for absenteeism; it factors in all types of absences, including those related with workplace or ordinary accidents, long-duration leaves of absence and paternity/maternity leave (paid vacation is not computed).

CIE Automotive complies with and often exceeds the minimum wage requirements in each country. Moreover, when it integrates new plants, it analyses their working conditions with a view to resolving potential shortcomings and improving the situation, in keeping with the group's Human Resources Policy. For example, in relation to the only plant acquired in 2018, CIE Autometal Minas (formerly Zanini Brazil), it verified that both the male and female employees were receiving the minimum wage stipulated in Brazil and that the minimum wage collected by male and female employees was identical.

Employee assistance measures

The company attempts to help make sure that the everyday lives of its employees and their families are as simple as possible and that membership of CIE Automotive constitutes a source of pride for them.

To this end, in 2018 it invested over €22 million in employee support measures.

EMPLOYEE ASSISTANCE MEASURES

Health	Over €13 million	• Medical and accident insurance, in-house medical and/or nursing services and other activities related with the health of CIE Automtoive's employees and their families, notable among which: • Medical insurance in the US in the amount of over €4 million. • Medical assistance, healthcare plans and agreements with private hospitals in Mexico and Brazil in the amount of over €2 million. • Regular health checks in several countries. • Screening for the early detection of certain types of cancer at some of the Spanish factories. • On-staff doctors.
Food services	Over €4 million	• Subsidised canteens. • Restaurant vouchers (with tax benefits for employees in the countries in which this scheme applies).
Transport	Over €4 million	For example: • Factory-funded proprietary bus services. • Employee fuel payment schemes at certain factories. • Public transportation payments for employees.

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Education	Nearly €1 million	Services related with the education of employee relatives and other services. Examples: • Mexico: activities such as organisation of the 'Best student' scheme under which the children of employees with grade point averages of 8.5 or more out of 10 receive scholarships and/or school materials. • CIE Galfor (Spain): school assistance, scholarships for employees, aid per household with school-age children (from day-care right through to third-level education). • India: donation of computers, creation of schools and supply of school materials.

In addition to the above-listed assistance measures, each year the company sends out a questionnaire worldwide about the work-life balance measures in place in each of its locations.

The responses suggest that 80% of its workplaces have measures of this nature, notable among which:

- Up to two hours' flexibility in terms of workday start and end times.
- The ability to adjust the workday to suit the family situation.
- The grant of additional days of paternity/maternity leave relative to those stipulated by law.
- Measures for protecting pregnant employees.
- Scope for working from home.

Engagement of the services of International SOS

With the aim of offering the best possible advice to the company's employees who have to travel abroad for professional purposes, CIE Automotive has engaged the services of International SOS, the world's largest medical and travel security services firm.

Thanks to this service, employees now have access to International SOS doctors, security experts and assistance coordinators 24 hours a day; these professionals can provide advice before travelling, assistance during overseas stays and emergency medical care or security assistance as needed. They also have access to an e-learning platform where they can get all the medical and security information needed before travelling.

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Obligations to employees [201-3]

The breakdown of the provisions for non-management employee obligations and benefits by country is as follows: *(for more information go to 6.2 Governance bodies – Management Board)*

The post-employment obligations and other long-term employee benefits that several group companies have vis-a-vis certain groups of employees break down as follows by country:

Thousands of euros	**31 Dec. 2018**
Germany	25,869
India	4,397
Italy	2,783
TOTAL PENSION OBLIGATIONS	**33,049**

- Post-employment benefit plans and other long-term employee benefits in Germany, funded entirely through an internal fund:
  - **Non-current employee benefits:** Long-service bonuses and supplements deriving from partial retirement agreements.
- Post-employment benefit plans in India, most of which are funded through an internal fund: annuity pensions; retirement bonuses financed externally under insurance contracts and retirement awards in the event of termination.
- Post-employment benefit plans in Italy. The model currently used its Italy's TFR system, which is the obligatory private system for the corporate sector. It was a defined benefit plan that was transformed into a defined contribution plan following the pension reforms undertaken in Italy in 2005.

The movement in the defined benefit obligation and in long-term employee benefits in 2018:

CALCULATIONS

Thousands of euros	Post-employment benefits[1]	Non-current employee benefits	**TOTAL PENSION OBLIGATIONS**
31 Dec. 2017*	45,322	1,138	**46,460**
CURRENT SERVICE COST	(33)	383	**350**
INTEREST EXPENSE/(INCOME)	503	16	**519**
(GAINS)/LOSSES ON CHANGES IN FINANCIAL ASSUMPTIONS	292	123	**415**
GAINS)/LOSSES ARISING FROM EXPERIENCE ADJUSTMENTS	(117)	-	**(117)**
CLAIMS PAID	(1,304)	(26)	**(1,330)**
TRANSLATION DIFFERENCES	(172)	-	**(172)**
DISCONTINUED OPERATIONS	(13,076)	-	**(13,076)**
31 Dec.2018	31,415	1,634	**33,049**

(1) Corresponds to the annuity pension obligations in Germany and India; the retirement bonuses in India; and the post-employment plans in Italy.

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The main financial and actuarial assumptions used in this analysis are as follows:

	Germany	India	Italy
Interest rate	1.78%	7.4%-7.9%	1.00%
Expected return on plan assets	N/A	7.4%-7.7%	N/A
Salary growth rate	2.30%	7%-10%	0%
Pension growth rate	1.00% - 1.50%	0.0%-8%	3.00%
Mortality table	RT 2008 G	Indian assured lives Mortality (2006-08)Ult	RG48
Retirement age	65 years	58 for workers; 60 for the rest	58 years
Valuation method	Unit credit method	Unit credit method	TFR (Italian obligatory private system)

For further details, refer to note 22 - *Employee obligations* in the Consolidated Financial Statements for the year ended 31 December 2018.

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Zero tolerance of discrimination [202-1, 405-1, 405-2]

CIE Automotive offers its employees a work environment free of bias on the grounds of gender, race, religion, age, sexual orientation, nationality, civil status or socio-economic background.

This commitment is evident in the nationalities of its factory managers, nearly 90% of whom are local, and the 7 point year-on-year increase in the percentage of female new hires.

In 2018, the company conducted a preliminary analysis of the gender pay gap in existence at all of its business locations. That analysis focused exclusively on the overall gender gap, comparing the salaries earned by all of the women in each productive facility with those earned by all of the men at those same centres, weighting the results as a percentage of total employees.

GENDER PAY GAP AND AVERAGE ANNUAL SALARY BY REGION

	Pay gap	Average annual salary in €	
		Men	Women
ASIA (India & China)	133%	7,282	9,703
NORTH AMERICA	85%	13,245	11,220
BRAZIL	70%	7,168	5,008
EUROPE*	59%	34,793	20,574
CIE AUTOMOTIVE	**87%**	**15,641**	**13,532**

**The Europe region includes the factories located in Morocco and Russia.*

The company corroborated the existence of equal pay in its significant locations of operation. This is evident in its collective bargaining agreements, whose salary schedules are the same for both genders. As a result, the differences presented in the tables above stem from the gender mix at the various hierarchical levels; in some countries that mix is attributable to sociocultural factors.

In Spain, all the manufacturing facilities affected by the national regulations on equality plans comply with the regulations. In addition to it, in 2019 the company is planning to draw up a Corporate Equality Plan in order to detect areas where it can improve in this respect and formulate action plans with the aim of reducing the pay gap and getting closer to effective gender equality by job category.

On the other hand, CIE Automotive employs 366 people with some type of disability at a global level, 1.6% of its workforce and, as an example of the Group's commitment to diverse employment, it is a member of the Advisory Board of the Inserta Forum in the Basque Country, led by ONCE, with the aim of facilitating the integration and employability of people with a certain degree of disability.

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Zero tolerance stance on child and forced labour [408-1, 409-1, 412-1]

CIE Automotive has a zero-tolerance stance on child labour and complies with prevailing legislation in all its business markets, framed by the internationally recognised human rights and its own Human Rights Policy.

Although all of the factory managers and human resources directors endorse this policy, thus committing to complying with it and enforcing it, a survey is undertaken annually to identify which plants are at risk and take any measures warranted. By the date of publication of its Integrated Report, more than the 90% of CIE Automotive's plants had completed that survey, with 100% of them responding satisfactorily.

Collective bargaining [102-41, 402-1, 403-1, 403-4, 407-1]

«Collective bargaining agreements include specific references to workplace health and safety.»

The company respects its employees' freedom of association and right to collective bargaining, engaging with its workers' representatives, not only in its European plants but also in less unionised countries.

The measures adopted by the organisation during the reporting period aimed at supporting its employees' freedom of association and right to collective bargaining included collective bargaining or other company agreements (geographical, sectoral or production centre) in over 40 productive facilities in the following countries:

- Europe: Germany, Slovakia, Spain, France, Portugal and Romania.
- North America: Mexico.
- Brazil.
- Asia: India and China.

As a rule, all of the agreements make special mention of workplace health and safety matters, this being one of the most important topics, as well as other aspects such as the minimum number of weeks' notice employees and their representative have to be given before introducing significant operational changes that could have a considerable effect on them.

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COLLECTIVE BARGAINING: COVERAGE BY COUNTRY [403-1]

	Total headcount	Employees covered by collective bargaining agreements	Coverage, %	RWorker representatives by country
EUROPE	**6,240**	**4,989**	**80%**	**188**
SPAIN	2,602	2,371	91%	119
GERMANY	834	816	98%	27
CZECH REPUBLIC	794	252	32%	9
FRANCE	371	370	100%	16
PORTUGAL	330	330	100%	5
ROMANIA	328	327	100%	3
ITALY	280	280	100%	3
SLOVAKIA	243	243	100%	5
LITHUANIA	231	0	-	0
RUSSIA	111	0	-	0
UNITED KINGDOM	75	0	-	1
MOROCCO	41	0	-	0
NORTH AMERICA	**6,224**	**3,101**	**50%**	**41**
MEXICO	4,545	3,101	68%	41
USA	1,678	0	-	0
GUATEMALA	1	0	-	0
BRAZIL	**3,652**	**3,524**	**96%**	**39**
ASIA	**7,146**	**2,781**	**39%**	**180**
INDIA	6,391	2,380	37%	131
CHINA	755	401	53%	49
TOTAL	**23,262**	**14,395**	**62%**	**448**

Communication channels

Employee relations are based on respect for others and transparency. The main communication channels are the chain of command and the company intranet. There is also a weekly in-house news bulletin in which the company shares the most significant financial and business developments, as well as reporting on social and environmental aspects.

To get to know what is of concern to its employees, CIE Automotive conducts a workplace climate survey at every factory every two years. That frequency can vary depending on the specific situation of each location: new acquisitions, specific country considerations, collective bargaining negotiations, etc.

The average score on the 73 surveys conducted in 2017 and 2018 was 7 out of 10. Note that action plans are always drawn up with a view to improving the survey scores and, by extension, the satisfaction of CIE Automotive's employees.

«Workplace climate surveys were performed in 73 productive centres in 2017 and 2018.»

CAREER DEVELOPMENT [101-1, 102-2, 103-3, 404-2]

CIE Automotive's People Management Model establishes employee skill profiles, evaluates executive, middle management and skilled workers' job performance and identifies areas for improvement. There is also a Career Development Programme which designs development and training programmes.

Employees undergo an annual assessment with their immediate superiors with the aim of analysing theirs and the company's performance during the prior 12 months and learning about their expectations for the near and longer term. Whenever skill gaps are detected, the employee in question is included in a specific training programme.

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Job training
[404-1, 404-2, 412-2]

PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS

	Training hours	Employees trained	Average hours of training per year per employee
2016	504,813	16,325	30.9
2017	610,658	19,513	31.3
2018	698,970	20,491	34.1

The training effort is articulated around developing the skills needed for effective on-the-job delivery of CIE Automotive's strategic objectives. In 2018, over 20,000 of the company's employees received 698,970 hours of training (up 38% from 2016); that meant that 88% of the workforce received training, which is 5% more than in 2017 and 25% more than in 2016.

The average number of hours of training per trained employee was 34.1, growth of 9% compared to 2017. The breakdown by job category was 696,246 hours for factory workers and 2,724 hours for corporate services staff.

As for **training on human rights matters**, in 2018, CIE Automotive provided nearly 9,000 hours of training to 6,000 employees (nearly 26% of the workforce) in 32 factories worldwide, which was 50% more than in 2017, in line with CIE Automotive's 2015-2018 CSR Plan and its Human Rights Policy.

In addition, high-potential professionals receive training in advanced skills. Those initiatives encompass several areas such as people management, teamwork, decision-making based on financial considerations, team coaching and negotiation.

In 2018, CIE Automotive received over €400,000 from public institutions in several countries for the performance of training initiatives.

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Attracting talent

In 2017, the company launched again the Ulysses Programme, which is populated by new graduates from CIE Automotive's business markets: these graduates are trained in its legacy Spanish factories for one year and are then offered a job in their home markets. The programme thus delivers four objectives: training young people at facilities at which the group's values have been embedded for years; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence.

In 2018, the programme focused on Mexico, where the company brought in youths from training centres and universities, who first did a stint at the Mexican factories, receiving classroom and in-factory training, and then continued the programme with four months of dual training in Spain. As a result, in addition to training new employees, the company increased collaboration and dialogue between the Spanish and Mexican factories. It is worth noting that this programme is multi-divisional, i.e., it attracts talent to the forging, metal and aluminium divisions.

In line with what it has been doing in recent years with the aim of attracting top talent to the firm, over the course of the year the company ran a number of recruitment programmes targeted at young graduates with an interest in pursuing an international career. To this end, it collaborated with Deusto University and the Basque University (UPV) in Spain and the Celaya Technology Institute and Coparmex in Mexico.

Within these initiatives it is worth singling out the BBK scholarships. Backed by the Basque regional authorities and the BBK Foundation, these scholarships combine training in excellence at foreign universities with a job contract at a cutting-edge company. In 2019, the company will participate in the second edition of these scholarships with a view to continuing to bring in new talent.

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HEALTH AND SAFETY

[103-1, 103-2, 103-3, 403-2, 403-3]

Preventive approach

The company takes a preventive approach to ensuring the health, safety and well-being of its employees: it observes more stringent standards than are required under local legislation, provides safety training to employees tailored for with the work they perform, establishes preventive measures and controls the effectiveness of the improvements introduced by means of internal audits.

The prevention of workplace accidents is articulated around the 2020 Health & Safety Strategic Plan, which was approved in 2017 and structured as follows:

- **Indicators**: Continuous improvement in the indicators that track workplace accidents (volume, frequency and severity rates).
- **CIE SAFETY**: Implementation of a self-assessment questionnaire at all factories. The target compliance score is 85% and the results trigger the mandatory implementation of specific measures in their annual safety plans in order to improve their scores going forward.
- **OHSAS 18001:** all of the productive facilities must be OHSAS 18001-certified in 2020.

(For more information, refer to 5.2 Customers – Global certification map).

Organisationally, CIE Automotive has an outside safety service that covers the four legally-stipulated areas of accident prevention expertise and a health and safety officer at each of its productive facilities, more than 100 people worldwide in total. This effort is shored up by a corporate health and safety department which regularly audits the factories, maintains the corporate intranet and serves as contact point for issues related with occupational health and safety.

At the factory level, the safety staff inspect the adequacy of the company's facilities, conduct emergency evacuation drills, provide training, assist with incident investigations and carry out awareness drives.

Each plant has its own health and safety plan, which is put together on the basis of a framework system that is subjected to continual audit as part of the group's workplace safety management systems. This structure enables the company to adapt safety measures for each plant and evaluate the measures taken by it on this front as a whole. Individual action plans are formulated every year to deliver the targeted level of improvement defined on the basis of the prior year's performance. All of the group's productive facilities have a health and safety officer.

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Accidents [403-2, 403-3]

CIE Automotive is on the right path to reducing its accident rates. Thanks to its preventive and training efforts, the number of workplace accidents fell to 517 in 2018, down 12% from 2017, and down by 18% compared to 2016. That figure is relatively low considering the company's absolute headcount and the fact that the workforce increased by nearly 2% in 2018 (which is growth of 11% since 2016).

«The number of accidents declined by 12%, despite headcount growth.»

ACCIDENT RATES

	2016	2017	2018
No. of employees	20,926	22,899	23,262
Lost-time injuries	629	588	517
Fatalities	1	0	0
Injury frequency rate	15	11.2	9.1
Accident severity rate	0.4	0.2	0.2

As the numbers show, in recent years not only has the injury frequency rate declined, so too has the severity rate, and very significantly so. Nor were any of the employees of subcontractors the victim of serious accidents in 2018.

CIE Automotive has a corporate policy, which is audited internally and externally, whereby prior to any outsourcing, the tasks that are going to perform are identified, as are the associated risks, preventive measures and safety resources, along with other complementary measures designed to mitigate residual risk.

CIE Automotive's employees receive safety training tailored to the risks posed by their jobs. Notable among the safety-related training provided in 2018 was the implementation of new safety requirements as a result of the new collective bargaining agreement in the metalworking sector in Spain.

In addition, all of the productive facilities are sent a questionnaire annually (CIE Safety) asking them to indicate the number of employees at greater risk of occupational accidents or ill health so as to take the opportune measures. In 2018, that questionnaire was set to more than the 90% of CIE Automotive's productive facilities with none of the respondents flagging high-risk cases.

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5.4. Investors

MILESTONES IN 2018

- Added to the IBEX-35.
- Exit from Dominion via the distribution of a special dividend of over €400 million.
- Payment of a record-high cash dividend of €0.31/share.

LINES OF INITIATIVE UNDERTAKEN IN 2018

- Implementation of the suggestions derived from the Analyst Satisfaction Survey conducted in November 2017.
- Expansion of IR presence in international cities.
- Communication of new guidance for 2020 under the Business Plan.
- Communication of the exit from Dominion.
- Updates on the sector and macroeconomic situation.

LINES OF INITIATIVE IDENTIFIED FOR 2019

- Additional reinforcement in key international cities and first-time presence in new cities.
- Mastery of new CRM tool.
- Knowledge Management Project designed to optimise interactions with investors.
- Standardisation of periodical stock market reports for internal distribution.

CIE Automotive is committed to creating value for its shareholders and investors via dividend payments and share price gains. The company provides them continually with information so they can analyse its performance, forecast its future and take well-substantiated investment decisions. Engagement with the investment community intensified in 2018 on the heels of the company's addition to the IBEX-35.

CIE Automotive

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Value creation

Thanks to its earnings growth, the group paid out €72.1 million of dividends in cash from 2017 profits, up 37% year-on-year, extending its policy of paying out approximately one-third of net profits.

In addition, it paid out a special in-kind dividend against reserves, giving its shareholders 0.65709 shares of Global Dominion Access for every CIE Automotive share held. In total it distributed 84.76 million shares, representing 50.01% of that company's capital. An extraordinary dividend worth over €400 million.

«We paid out €72.1 million in dividends in cash, up 37% from 2017.»

Ownership structure

At year-end 2018, CIE Automotive had 129 million shares outstanding and a market capitalisation of €2.77 billion. The core shareholders controlled approximately 60.9% of the total, with the 37.7% freely floated (members of the Board 1.4% and own shares: 0%). The company duly upholds both shareholder groups' interests thanks to its balanced corporate governance system.

As for the composition of the free float, although many of the company's investors are Spanish, its shareholder ranks also include funds from the US, UK, France, Ireland, Canada, Germany, Belgium, Portugal, Norway and Denmark.

OWNERSHIP STRUCTURE



CORE SHAREHOLDERS	60,9%
FREE FLOAT	37,7%
MEMBERS OF THE BOARD OF DIRECTORS	1,4%
OWN SHARES	0%

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ANNUAL CHANGE IN SHAREHOLDER STRUCTURE

Shareholder	2016	2017	2018
ACEK Desarrollo y Gestión Industrial	20.9%	15.9%	14.9%
Antonio María Pradera Jáuregui	10.0%	10.0%	10.0%
Corporación Financiera Alba, S.A.	-	10.0%	10.1%
Elidoza Promoción de Empresas, S.L.	9.6%	9.6%	10.0%
Mahindra&Mahindra, Ltd.	12.4%	7.4%	7.4%
Addvalia Capital, S.A.	5.0%	5.0%	5.0%
Alantra Asset Management, SGIIC, S.A.	5.6%	4.7%	3.5%
Total core shareholders	63.5%	**62.6%**	**60.9%**
Own shares	0.0%	1.2%	0.0%
Members of the Board of Directors	0.4%	0.4%	1.4%
Free float	36.1%	**35.9%**	**37.7%**

For additional information about significant shareholdings as of the reporting date, refer to here.

Shareholder communication

In keeping with its Market Information and Communication Policy, the company provides its shareholders with all relevant information and does what it can to encourage their participation at the Annual General Meeting, as required in the Spanish Corporate Enterprises Act.

All relevant group information, presentations and legally-stipulated financial and corporate governance reports and documents are available to the public on the corporate website (www.cieautomotive.com), under the Investors & Shareholders tab. The website also provides contact data (a dedicated phone line and electronic mail address) for shareholders.

«The Investor Relations Department stepped up its communication efforts in 2018 after CIE Automotive was added to the IBEX 35.»

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The group's Investor Relations Department is tasked with the disclosure of accurate and regular information about the company's performance to the financial community.

In 2018, it stepped up its effort to educate the investment community about its equity story in light of the growing interest sparked by its inclusion in the IBEX-35, Spain's blue chip stock index. As part of that effort, it met 490 times with investors between 14 conferences, 11 roadshows, 7 investor visits to CIE Automotive's productive facilities and numerous conference calls.

During those events the company emphasised the company's solid fundamentals, its excellent prospects and its strategic commitment to promising markets such as Mexico, Brazil and India.

In addition, the company has a close relationship with the various analysts that cover the company. With them it organised meetings, visits and regular conference calls. That effort culminated with the 2018 Analyst Day, an informal meeting at which the company attempted to inform the analyst community about the Indian story; Ander Arenaza, CEO of Mahindra CIE met with the analysts.

At year-end 2018, 16 analysts were following CIE Automotive, up from 14 at the end of 2017. The company worked to implement their suggestions, gleaned from the 2017 Analyst Satisfaction Survey. The key suggestions implemented in 2018 were:

- Disclosure of sales breakdown for India and China (within the Asia segment).
- Disclosure of breakdown of growth by source (organic vs M&A, and forex) for the various geographic reporting segments.
- Alternation between near and far destinations for the Analyst Day event.

It is worth noting that the 2017 Analyst Satisfaction Survey yielded highly encouraging results. The survey evaluated a range of topics related with: (i) the quarterly earnings presentations; (ii) the quarterly earnings call; (iii) market guidance; (iv) the equity story; (v) the IR Department's know-how and service standards; (vi) marketing events; and (vii) the communication effort.

The Analyst Satisfaction Survey is biannual, with the next one scheduled to take place in 2019.

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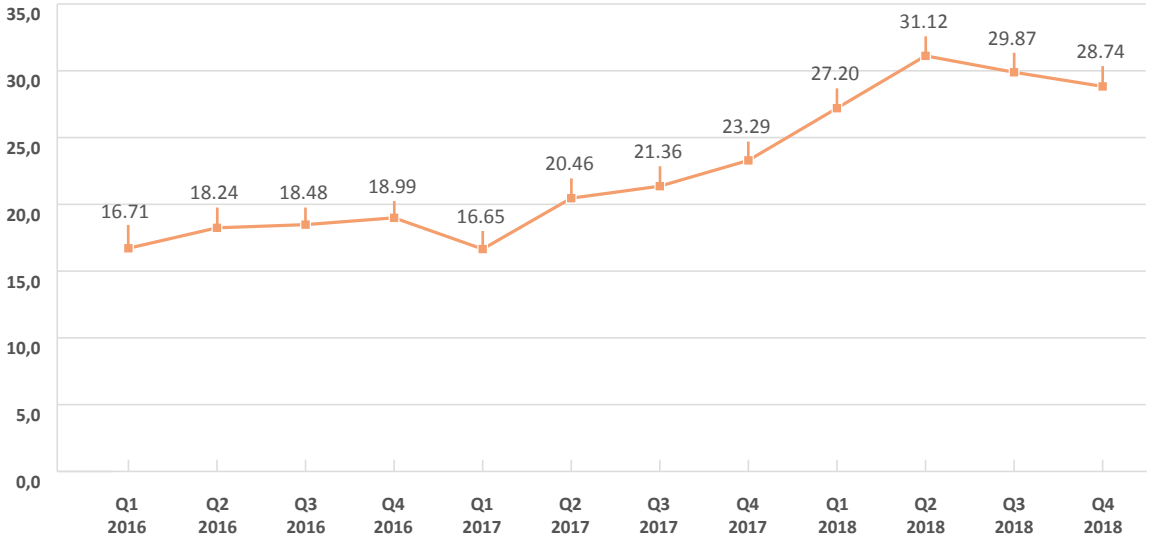
ANALYST COVERAGE

Company	Analyst	Recommendation	Target price	Last update
Ahorro Corporación	Álvaro Arístegui	Buy	31.99€	10/2018
Alantra Equities	Álvaro Lenze	Hold	23.10€	12/2018
Bankinter	Esther Gutierrez de la Torre Coll	Hold	25.50€	10/2018
BBVA	David Díaz Rico	Overweight	33.00€	10/2018
BPI	Manuel Coelho	Hold	27.00€	11/2018
Exane BNP Paribas	Javier Pinedo	Hold	25.00€	10/2018
Fidentiis	Juan Cánovas	Buy	33.70€	07/2018
Intermoney Valores	Virgina Pérez	Buy	30.30€	07/2018
JB Capital Markets	Ignacio Ortiz de Mendivil	Buy	31.00€	07/2018
Kepler Cheuvreux	Alexandre Raverdy	Underweight	20.00€	10/2018
Link Securities	Iñigo Isardo	Buy	38.42€	07/2018
Nau Securities	Pedro Baptista	Buy	27.00€	04/2018
Renta 4	Iván San Félix	Buy	27.40€	10/2018
Sabadell	Alfredo del Cerro	Buy	27.85€	10/2018
Santander	Robert Jackson Pina	Buy	29.85€	07/2018
CONSENSUS	-	-	28.74€	-

Note that the table doesn't include Mirabaud Securities; although this firm was actively covering the stock at year-end 2018, it had yet to issue its report with an updated recommendation.

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TREND IN ANALYSTS' CONSENSUS TARGET PRICE



**Until 3Q18, the analysts' target prices included Dominion.*

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5. We are driven by engagement

5.5. Innovation and technology [102-2]

17 PARTNERSHIPS FOR THE GOALS

INROADS INTO THE AUTOMOTIVE INDUSTRY

CIE Automotive analyses emerging trends in the automotive industry and responds with new products. The company collaborates with a number of associations on a range of research programmes. Every year it earmarks nearly 2% of revenue to this effort across its 7 R&D centres, taking a multi-technology, multi-materials approach.

The automotive sector is a success story from the standpoint of car and parts makers alike. 2018 marked a new chapter of growth within the healthy recovery underway since the crisis of 2009.

CIE Automotive is in the midst of tackling the challenges posed by the transformation unfolding in the sector: vehicle **emission** standards; product and process **digitalisation** (with the effect that the OEMs are increasingly outsourcing their productive processes); new **mobility** concepts (comfort); and slow but steady **electrification** of the sector in general.

(For more information, refer to section 4.1 Market environment and trends)

The company is very familiar with these transformations thanks to its active participation in sector clusters such as ACICAE, which it presides, national business associations like SERNAUTO, where it sits on the management board, and international platforms such as EGVIA and CLEPA, where it is part of the research project committee.

«Emissions, digitalisation, mobility and electrification rank among the main challenges facing the sector.»

The **key sector changes**, if we compare where we are today and where we are headed in 2030, are expected to lie with the **electrification of the power and traction systems** and with **mechatronic and electrical parts**. Meanwhile, one of the **main sector challenges** will continue to be that of making vehicles lighter, thus enabling the **reduction of emissions** and energy **consumption.**

On 8 November 2017, the European Commission presented a legislative proposal with the aim of establishing new CO2 emission standards for cars and vans. It set a target for 2030 of a 30% reduction with respect to 2021 for new vehicles. Correlation data should already be available by then according to the new WLTP test cycle, with a reduction target of 15% by 2025.

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On 18 December 2018, a definitive agreement was reached: a reduction of 15% by 2025 and of 37.5% by 2030 for cars; and of 15% in 2025 and 31% in 2030 for vans.

These requirements mean that even the most efficient diesel engines, such as a Euro 6d engine, need a level of technological sophistication that is already weighing significantly on sales prices today, making the endeavour all but non-viable for small cars and a significant consideration also for compact cars. This trend will be more pronounced in 2021 when CO_2 emissions will have to fall to 95gr/km.

The standards set for 2030 imply a level of consumption that is not achievable with internal combustion engines alone, spelling inevitable growth in electro-mobility.

«CIE Automotive has a roadmap for investing in R&D projects articulated around the prevailing sector challenges.»

CIE Automotive has a R&D roadmap for the gradual start-up of production of projects defined around the challenges, and opportunities the sector will throw up in the coming years, specifically articulated around the following areas and projects:

ELECTRIC VEHICLES

- End-to-end refrigeration systems for engines and generators.
- Multi-material systems for battery housing and lids.

ACTIVE CHASSIS SYSTEMS

- Active suspension systems.
- Transmission systems based on road conditions.

REDUCING VEHICLE WEIGHT

- Hybrid structures and multi-material joining systems.
- Rotary forging.
- Multi-axial forging.

FUEL AND EMISSIONS

- Higher pressures injection systems.
- Twin injection systems.

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The challenge of smart manufacturing

We are witnessing many technologies develop at dizzying speed. Not only are they developing in parallel, they are interacting with and feeding into each other. As a result, we are seeing disruptive transformation of productive processes. If we layer in the sensory capacity to extract data which is then transformed into information by means of the necessary algorithms, information that can be available for analysis and decision-making virtually instantaneously thanks to hyperconnectivity, then we have the optimum environment for rendering our processes smart. Smart processes we can use to boost:

«We are witnessing disruptive transformation of production environments.»

- **Quality ratios:** We are increasingly closing in on zero defects in tuning, manufacturing, servicing and product traceability.
- **Productivity ratios:** With very high overall equipment effectiveness (OEE) ratios and resolving what that means for our value chain and for the preventive and prescriptive maintenance of our facilities by means of a well-defined total productive maintenance (TPM) strategy.
- **Flexibility:** Necessary at the facility level to permit swift changes in SKUs for ever-shorter production runs.

The fact is that automotive industry is demanding shorter time- and cost-to-market. To this end, CIE Automotive is tapping a range of technologies including sensor, vision, virtual and augmented reality technology and robotics in their different manifestations, manufacturing execution systems (MES), product lifecycle management (PLM), enterprise resource planning (ERP) systems, deep learning and blockchain technology for product traceability purposes. Correct implementation of these technologies in manufacturing facilities helps tackle the 'Smart Factory' challenge.

The company's R&D roadmap encompasses projects in the following areas for the forging, high-pressure aluminium die casting (HPDC), stamping and roof assembly lines:

- Automated in-line measurement.
- Artificial vision for superficial control.
- Sensorisation and control of dies and moulds.
- Unit traceability.
- Data capture, analysis and visualisation for process-critical variables.

This major effort around all of the above-mentioned lines of initiative meant that CIE Automotive devoted almost 2% of revenue to R&D projects in 2018. Many of these projects have been submitted for local, national and European R&D funding programmes.

It is worth noting that in 2018, the European Investment Bank (EIB) extended the company an €80 million loan for funding the R&D effort across its European centres

(For more information, go to Section 4.2 2016-2020 Business Plan)

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KEY R&D FUNDING PROGRAMMES

HAZITEK PROGRAMME (BASQUE REGIONAL GOVERNMENT)

- **NITSL Project:** Development of high-spec wear parts for high-pressure aluminium smelting processes via active screen plasma nitriding and the hollow cathode effect.

- **CODICE+ Project:** Flexible dimensional control and in-line control of parts by means of modular artificial vision technology.

CDTI PROGRAMME (SPAIN)

- **TEINEXT Project:** Research into new forming processes and mass and superficial heat treatments in order to optimise extrusion forging of industrial vehicle transmission parts.

- **FORJAL Project:** Research into hot aluminium forging techniques for the manufacture of large-sized structural automotive components.

RCFS PROGRAMME (EUROPE)

- **HSSF Project:** The hybrid semi-solid forming project is being undertaken in collaboration with other companies and universities. Notably, CIE Automotive is participating in the *Universidad Empresa* classroom challenges programme happening at the automotive industry cluster (AIC) in Amorebieta (Spain). Also collaborating are certain research centres, some of which are members of the Basque science and technology network such as Ik4 and Tecnalia (CIE Automotive is a member of Tecnalia's executive board).

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5. We are driven by engagement

5.6. Suppliers

[102-9, 102-10, 103-1, 103-2, 103-3, 201-1]

We share information about our supply chain and foster training at small and medium sized enterprises by leading by example.

We are driven to meet the targets announced...

«New supplier portal launched to facilitate end-to-end management.»

LINES OF INITIATIVE UNDERTAKEN IN 2018

- Launch of the European Supplier Portal as an open communication channel that facilitates equal opportunities.
- Global, in-person and online training on CSR matters for buyer teams.
- Development and implementation of Industry 4.0 tools applicable to the supply chain with a view to delivering more nimble and effective management that ultimately translates into cost streamlining.
- Collaboration with suppliers and universities on Industry 4.0 projects designed to enhance the supply chain.
- Standardisation of the global requirement to embed ESG criteria into audits of suppliers of productive material.

LINES OF INITIATIVE IDENTIFIED FOR 2019

- Consolidation of the supplier portal worldwide.
- Work plan with productive material suppliers for the definition of environmental requirements.
- Development of an environmental collaboration project incubator with suppliers.
- Rollout of the 'CIE Automotive and its supply chain' project to educate suppliers about what is expected of them on the CSR front, accompanied by an assistance programme.
- Audits following specific ESG criteria of the top five suppliers to every European factory and the factories in North America and Brazil.

CIE Automotive's supply chain is made up of over 27,000 suppliers, who invoiced the company over €1.8 billion in 2018. Last year, the group continued to fine-tune its procurement model, carrying out quality controls and integrating ESG criteria into its supplier management processes. The biggest development was the launch of the first Supplier Portal in Europe.

The new Supplier Portal is an online platform that is free to use and accessible from the Supply Chain tab on the corporate website. Existing and prospective suppliers of products and services to CIE Automotive can register on the portal.

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This new interaction channel is designed to deliver two objectives: (i) make it easier for firms interested in working with CIE Automotive to register by standardising the assessment needed prior to their addition to the supplier panel; (ii) provide a query tool for procurement managers worldwide.

In 2018, the Portal was rolled out to suppliers of productive material in Europe (> 1,000). The plan is to have it encompass all productive material suppliers worldwide by the end of 2019.

Standardised and objective selection [414-1]

> ***«Equal opportunities guaranteed.»***

Once registered with the Portal, suppliers must answer four questionnaires covering the following areas: business management; environmental management; CSR management; and conflict mineral management. Each questionnaire has a specific weight; following objective assessment of their responses, suppliers are automatically sent an overall score. If positive, this score certifies membership of the supplier panel. If negative, the supplier receives details of the aspects in need of improvement along with a commitment on the part of CIE Automotive to help implement them.

The detailed questionnaires are available for consultation on the Supply Chain tab of the corporate website.

QUESTIONNAIRE CATEGORIES AND WEIGHTINGS



BUSINESS MANAGEMENT	35%
RSC	25%
ENVIRONMENT	20%
CONFLICT MINERALS	20%

Thanks to this procedure, CIE Automotive ensures that its procurement processes are standardised, framed by the criteria of objectivity, impartiality and equal opportunities, as stipulated in its Global Supply Chain Manual.

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This Manual, published in December 2017, details graphically and in plain language the Mission, Purchasing Policy, the various product and service purchasing categories, the purchasing flowchart and the associated internal procedures and the CSR requirements suppliers must meet in order to work with CIE Automotive.

> ***«The new Supplier Portal ensures that the procurement model is framed by the criteria of objectivity, impartiality and equal opportunities.»***

None of the communication channels in place for reaching out to suppliers registered any complaints about the model or its impartiality in 2018.

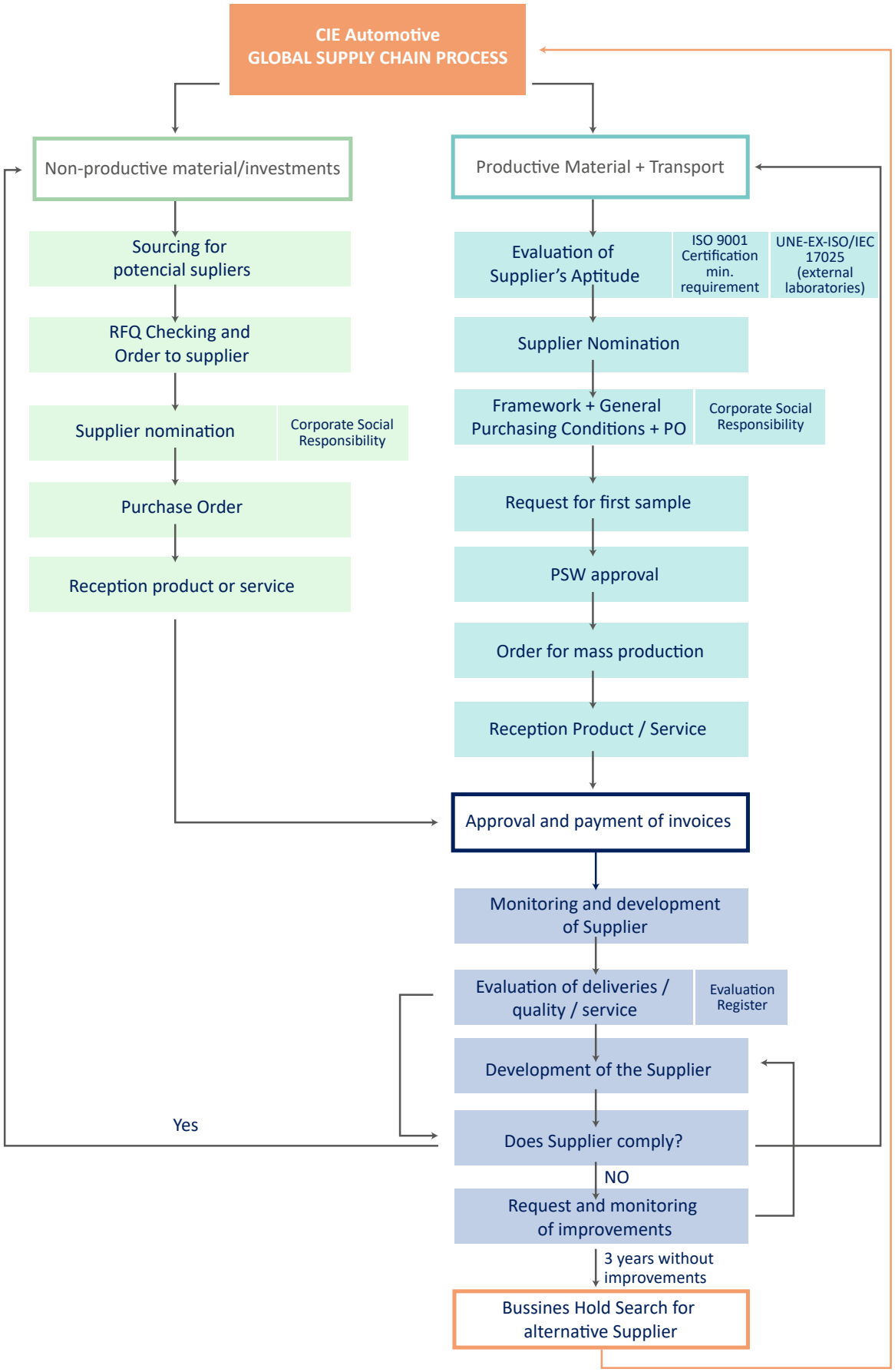
Supplier certification [308-1]

The requirements demanded of suppliers are aligned with their classification as a function of the product or service they supply. Over 90% of CIE Automotive suppliers of the product families deemed subject to assessment are IATF 16949 (former ISO/TS 16949) or ISO9001 certified; environmental certification under ISO 14001 and OHSAS 18001/ISO 45001 certification is also positively rated.

In 2018, over 20% of all suppliers of productive material supplies evidenced environmental certification under ISO 14001, a figure the company wants to improve in 2019, as this is one of the qualifications requested in the Portal *Environment* questionnaire.

The General Purchasing Terms and Conditions and the Global Supply Chain Manual evidence the commitment to compliance with applicable ESG legislation country by country at the supplier level. Section 15 of the Supplier CSR Commitment details what is required of suppliers environmental-wise in the course of doing business.

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«Over 20% of suppliers of productive material have environmental management certifications .»

Suppliers that do not hold these certifications are required to draw up a work plan for obtaining or presenting certification from a third party attesting that they meet CIE Automotive's requirements.

In 2018, the company defined the environmental requirements it demands of its suppliers which it will gradually implement in the coming years. Aware of the difficulties they imply for small and medium sized enterprises, CIE Automotive offers these firms training if they require.

Supplier evaluations are rounded out by audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and corporate social responsibility. On several of these aspects, specific mention is made of critical environmental and workplace safety criteria and the suppliers are explicitly audited on those matters.

In addition, in the CSR section, the company verifies that existing and newly audited suppliers' processes comply with the ESG requirements CIE Automotive endorses and promotes in its supply chain.

This assessment categorises suppliers into one of four levels depending on their level of compliance:

- **Not acceptable:** the supplier ceases to be a CIE Automotive supplier, having scored less than 55%.
- **Conditional:** these suppliers are required to draw up a plan for improving how their companies are managed, having only fulfilled between 55% and 74% of the assessment requirements.
- **Acceptable:** these suppliers are asked to carry out certain specific improvements, having fulfilled between 75% and 89% of the assessment requirements.
- **Preferred:** suppliers that score between 90% and 100% on the assessment.

Note that failure to score 100% on the CSR section immediately qualifies a supplier as 'not acceptable'.

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SUPPLIER AUDITS

BY REGION	Nº. OF AUDITS, 2018	%
Europe*	118	23.18%
North America	137	26.92%
Brazil	98	19.25%
Asia (India & China)	156	30.65%
Total	509	

**The Europe region includes the factories located in Morocco and Russia.*

The outcome of the audits is a testament to the robust nature of the company's supply chain as less than 1% of the suppliers audited were classified as *Not acceptable*.

CSR in the supply chain [408-1, 409-1, 414-1]

The Purchasing Policy is distributed to suppliers through the following communication channels: the corporate website; the General Purchasing Terms and Conditions; the Supplier Portal; and by getting them to endorse the CSR Commitment. As a result, CIE Automotive can state that suppliers representing over 90% of purchasing volumes have been informed of and have ratified the CSR Commitment.

CIE Automotive can also state, therefore, that its global supply chain is free of suppliers that pose a significant risk of presenting incidents of child or forced labour, unfair treatment, discrimination or any other practices that imply putting profits ahead of social and/or environmental concerns.

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INDUSTRY 4.0 AND THE SUPPLY CHAIN

Over the course of 2018, the company collaborated with suppliers around the world on a series of projects for the application of emerging technology and developments to certain productive processes, robotisation and real-time data capture, among other initiatives.

Here it is worth highlighting the 'Industry 4.0 and the Supply Chain' project, which ran for six months as part of a collaboration between Deusto University and CIE Automotive's Corporate Purchasing Department for the former's Dual Entrepreneurship Masters.

As a result of this project, the participants identified the new global Industry 4.0 management practices, the need for real-time data management and the crucial role of digital logistics. They also detected the importance of understanding in depth the existing digital enablers and identifying which among them, such as cloud computing, can be of immediate use in enhancing basic industry needs, whether or not related with the automotive industry, such as 'Improving communication channels between customers and suppliers'.

Although the full potential of implementation has still to be measured, the improvements identified unquestionably include the ability to capture value, an improved workflow, traceability, the real-time exchange of information, end-to-end visibility and the elimination of waste. Industry 4.0 is expected to be key to paving the way for the development of professionals who will be able to focus on higher value-added tasks, in even better working and social conditions.

Over the course of 2019, CIE Automotive will continue to work on enhancing the company's tools and collaborating with its suppliers in order to be able to implement quickly and flexibly all the potential improvements identified that stand to benefit CIE Automotive, its suppliers and society at large.

Other supplier communication channels

In addition to the Supplier Portal, the Suppliers tab on the corporate website provides the General Purchasing Terms and Conditions and a dedicated e-mail address for enquiries: purchasing@cieautomotive.com. In parallel, the company engages with its supplier community at the corporate and local levels by meeting directly with them, giving talks at universities, attending expert forums and trade fairs and through phone and e-mail contact.

The company also seeks to acknowledge the suppliers that contribute to its business development. For example, in Mexico it has been organising a Supplier Day annually since 2016 and since last year it has been singling out the suppliers that best exemplify the company's CSR criteria.

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ORGANISATIONAL MODEL

Product purchase families

CIE Automotive remains true to its original product purchase families, which it reviews annually. The product purchase family framework is the cornerstone of the organisational model used to classify suppliers and manage the resources deployed locally and globally in managing such an important part of the company's business. Supplier purchases accounted for 61% of total revenue in 2018.

CIE AUTOMOTIVE PURCHASING FAMILIES

CIE AUTOMOTIVE PURCHASING FAMILIES		
RAW MATERIAL	**COMPONENTS**	**SUBCONTRACTING**
STEEL	BAR-TURNING	TTT
ALUMINIUM	STAMPING	SUPERFICIAL COVERING
PLASTIC	FORGING	FOUNDRY
ALLOY COMPONENTS	FOUNDRY	FORGING
TOOLING RAW MATERIAL	MOTOR COMPONENTS	STAMPING
TOOLING	SINTERING	MACHINING
CONTROL TOOLING	THERMOFORMING	INSPECTION & ASSEMBLY
MACHINING	TISSUE	CUTTING
TTT & WELDING	INJECTION & OVERINJECTION	WELDING
STAMPING TOOLING	GLASS	
MOLDS	**OWN LOGISTICS MANAGEMENT**	
TUBE FORMING	TRANSPORT	
SPARE PARTS	STORAGE	
REPAIRING & MODIFICATIONS		

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NON PRODUCTIVE PURCHASE		
MRO	**ENVIRONMENT**	**PROFESSIONAL SERVICES**
PNEUMATIC	WASTE PROCESING	CONSULTING
HYDRAULIC	SANITARY	AUDIT
MECHANICAL	ENVIRONMENTAL CONSUMABLES	INDUSTRIAL DESIGN
ELECTRICAL	**OTHER CONSUMPTIONS**	INSURANCE
ELECTRONICS	CHEMICAL	DATA PROCESING
TECHNICAL SERVICE	PACKAGINGS	COMMUNICATION
FIRE EXTINCTION	CUTTING TOOLS	CLEANING
GENERAL MAINTENANCE	INDUSTRIAL SUPPLY	MEDICAL SERVICE
ENERGY	WELDING	TRAVELLING
WATER	OFFICE CONSUMABLES	HUMAN RESOURCES
ELECTRICITY	PPES&CLOTHES	SECURITY SERVICES
GAS	INDUSTRIAL GAS	MARKETING
FUELS	HARDWARE & SOFTWARE	
	INVESTMENTS	
	MACHINERY	
	EQUIPMENTS	
	BUILDINGS	
	OTHERS	

Internal management

CIE Automotive's Purchasing Model can be described as **GLOCAL: Global management with local application**. It is a lean, simple, streamlined and thus highly efficient management network made up of factory buyers, lead buyers, buyer managers specialised by technology and the head of corporate purchasing and procurement.

Fewer than 200 professionals located all around the world who, framed by a global policy and support at the corporate level, guarantee the correct implementation of the company's policies, procedures, values and objectives.

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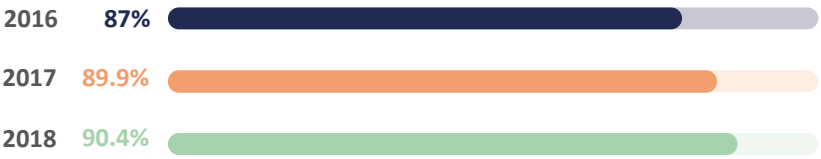
Supply chain management

Some 90.4% of the company's suppliers are local firms [204-1]

By sourcing from suppliers located close to its manufacturing facilities, CIE Automotive generates wealth in local communities, reduces logistics and tariff costs and mitigates exchange rate risk. As a result, 90.4% of CIE Automotive's suppliers, responsible for 79.3% of product and service purchases in 2018, are local firms.

It is therefore necessary to train the professionals working in the purchasing function in each region so that they can in turn educate local suppliers on CIE Automotive's requirements in terms of quality and sustainability.

LOCAL SUPPLIERS, %



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SUPPLIER CLASSIFICATION

Using management tools such as the Kraljic Matrix, among others, CIE Automotive analyses the products and services to be acquired and, by extension the kinds of suppliers it needs and how best to manage them, along two key dimensions: **supply risk** and **impact on the company's profits**.

That analysis yields the following supplier segmentation:

Leverage products and services - Commoditised suppliers

- Products and services with a high impact on the company's earnings but for which there is a large number of suppliers offering uniform quality, making them readily substitutable. The buyer profiles vary depending on the product/service types.

Strategic products and services - Strategic suppliers

- These suppliers' make a very significant contribution to the organisation in terms of quality and/or differentiation. Moreover, the number of suppliers of these products and services is more limited, making it harder to replace them. The company seeks to build a long-term relationship with these suppliers, work on their vertical integration within the organisation and ensure the highest quality at the best possible price. It engages with these suppliers on innovation and product enhancement.

Non-critical products and services - Multiple suppliers

- These products and services are **not critical for the organisation** and have a moderate impact on its cost structure. Management of these suppliers is articulated around the search for standardised supply solutions with fast and simple replenishment procedures.

Bottleneck products and services - Limited/captive suppliers

- These are critical products and services than can **only be acquired from a very limited number of suppliers**; they have a relatively low impact on the cost structure but can cause major difficulties. These suppliers dominate their respective markets and they can impose their terms and conditions, so that they are managed at a high level of the organisation or by expert buyers. The aim is to lock in long-term agreements, forge alliances and often to work together on future developments.

Year after year, CIE Automotive strives to strike strategic agreements with suppliers which establish themselves as benchmarks in terms of quality, innovation, design and fulfilment, as well as being cost competitive.

The execution of more than 100 such strategic agreements in 2018 implies a competitive advantage by locking in the supply of products and services and guaranteeing the pursuit of materials and process innovation projects destined to benefit CIE Automotive as well as its suppliers and customers in the medium term.

Despite segmentation, the company's quality and service standards and its ESG requirements are applicable to all suppliers in light of the important role played by every organisation in forging a sustainable business and world.

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5. We are driven by engagement

5.7. Environmental management [102-11, 103-1, 103-2, 103-3]



OUR PRODUCTS' ENVIRONMENTAL FOOTPRINT IS SHRINKING

LINES OF INITIATIVE UNDERTAKEN IN 2018

- Closing in on triple certification at all factories.
- Development of advanced calculations of the environmental footprint of the company's products
- Calculation of the cost of emissions.

In 2018, CIE Automotive's environmental pledge materialised in the development of new indicators that enable it to calculate the environmental impact of its activities and, as a result, to take the opportune measures for reducing that impact. The group is working to maintain the necessary balance between its business activities and environmental protection at each of its factories.

CIE Automotive tackles its environmental commitments by taking a preventive approach and working to minimise the adverse impacts the manufacturing and distribution of parts for the automotive industry could have on the environment, as set down in its Mission, Vision and Values and in its Health, Safety, Environmental and Quality (HSEQ) Policy.

> ***«The environmental footprint as a preventive tool.»***

With this in mind, it manufactures environmentally-friendly products, introduces energy efficiency measures into its processes and installations, uses water and other raw materials rationally and manages its waste appropriately.

During 2018, CIE Automotive has adapted its production facilities to meet the legislative environmental requirements of the countries in which they are located. Therefore, there have been investments in assets intended to make them more environmentally-friendly and to minimise their impact on the environment, and also expenses deriving from environmental action incurred during the year basically relate to waste removal expenses. The combined amounts of investments and expenses accrued in 2018 in relation to environmental protection worked amounted to €2.8 million.

Please refer for a bigger detail to Note 35. Other information of the Consolidated Annual Accounts and Consolidated Directors' Report for the year ended 31 December 2018.

Framed by a descentralised management model, the company has established factory-specific Eco-Efficiency Plans, which include a monitoring regime with specific improvement targets and a reporting system so it can analyse its environmental performance.

In recent years the company has been working towards the goal of having all CIE Automotive facilities achieve tripe environmental certification under ISO 14001, OHSAS 18001 and IATF (which replaces the former ISO/TS 16949).

(For more information about the company's certifications, refer to section 5.2. Customers)

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Climate change

CIE Automotive's operations affect the climate all along its value chain. Against this backdrop, the commitments enshrined in this Annual Report should be seen as the assumption of the company's responsibility with respect to climate change; in one way or another, all of its actions are designed to minimise that impact.

Although the use and consumption of raw materials, water and energy is inevitable in the course of the company's activities, it manages these impacts by means of annual risk assessments at each of its locations, framed by the ISO 14001 standards and a continuous monitoring regime.

Environmental offsetting

«Working to achieve carbon neutrality.»

In light of its inevitable environmental impact, CIE Automotive believes that the best way of achieving a neutral impact is to offset its adverse impacts. As a result, during the course of 2019 the company plans to analyse existing proposals and pursue offset initiatives wherever its footprint is greatest.

Improving indicators

With the aim of being able to assess its environmental impact more precisely, in 2018, the company developed a new indicator.

«Inclusion of its carbon emission cost as a new environmental performance indicator.»

Specifically, it added the cost of its emissions, calculated in terms of European emission allowances (EUA), to its process map. Note, however, that CIE Automotive does not participate in the global emission trading scheme such that this indicator is a 'fictional' cost that does not affect its statement of profit or loss.

This new indicator joins another new indicator added in 2017 - environmental costs over revenue - which factors in the cost of all things related with environmental management of the productive process, from the intake of the energy and water consumed to the exit of the waste generated and its ultimate management.

Consumption of water and material resources [301-1, 301-2, 303-1]

CIE Automotive consumes water and raw materials intensively.

Adequate management of water is a priority for CIE Automotive as it needs water to cool materials shaped at high temperatures. In order to minimise water discharges, the company has proprietary water treatment systems that enable its recovery.

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WATER CONSUMPTION [303-1]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 303-1 (1)	Surface water	m³/year			2,009.00
	GRI 303-1 (2)	Underground water				47,574.00
	GRI 303-1 (3)	Rainwater				22,034.00
	GRI 303-1 (4)	Municipal networks				435,096.00
		TOTAL		**502,688.67**	**635,129.58**	**506,713.00**
North America	GRI 303-1 (1)	Surface water	m³/year			393,00
	GRI 303-1 (2)	Underground water				79,016,00
	GRI 303-1 (3)	Rainwater				-
	GRI 303-1 (4)	Municipal networks				260,088,85
		TOTAL		**230,840.00**	**316,434.00**	**339,497.85**
Brazil	GRI 303-1 (1)	Surface water	m³/year			52,698.00
	GRI 303-1 (2)	Underground water				37,784.00
	GRI 303-1 (3)	Rainwater				-
	GRI 303-1 (4)	Municipal networks				124,009.00
		TOTAL		**148,228.27**	**174,443.00**	**214,491.00**
Asia (India/China)	GRI 303-1 (1)	Surface water	m³/year			250,915.00
	GRI 303-1 (2)	Underground water				48,522.00
	GRI 303-1 (3)	Rainwater				6,165.00
	GRI 303-1 (4)	Municipal networks				226,434.00
		TOTAL		**688,011.37**	**606,860.83**	**532,036.00**
TOTAL	GRI 303-1 (1)	Surface water	m³/year			306,015.00
	GRI 303-1 (2)	Underground water				212,896.00
	GRI 303-1 (3)	Rainwater				28,199.00
	GRI 303-1 (4)	Municipal networks				1,045,627.85
		TOTAL		**1,569,768.30**	**1,732,867.41**	**1,592,737.85**

**The Europe region includes the factories located in Morocco and Russia.*

The company also reviews all of its processes constantly to ensure responsible use of raw materials. An example of these good practices is the constant effort to reduce the gross weight of the products made by the company, which is key to using raw materials more efficiently. This effort also lowers the generation of waste and the consumption of energy and other products needed in the manufacturing process.

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MATERIALS CONSUMPTION [301-1, 301-2]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 301-1	Raw materials used	Kg	476,126,871.23	512,145,613.43	546,033,547.00
	GRI 301-2	Raw materials recovered	Kg	88,595,117.88	102,844,996.56	247,023,857,00
			%	19%	20%	45%
North America	GRI 301-1	Raw materials used	Kg	236,962,233.98	292,588,679.88	307,241,576.00
	GRI 301-2	Raw materials recovered	Kg	44,106,529.80	61,719,614.69	43,254,069.00
			%	19%	21%	14%
Brazil	GRI 301-1	Raw materials used	Kg	62,664,350.43	102,588,358.27	196,503,649.00
	GRI 301-2	Raw materials recovered	Kg	23,006,269.39	34,090,451.91	57,297,757.00
			%	37%	33%	29%
Asia (India/China)	GRI 301-1	Raw materials used	Kg	242,586,834.72	276,947,728.70	423,041,204.00
	GRI 301-2	Raw materials recovered	Kg	62,715,188.70	74,553,499.61	113,050,215.00
			%	26%	27%	32%
TOTAL	GRI 301-1	Raw materials used	Kg	1,018,340,290.37	1,184,270,380.28	1,472,819,976.00
	GRI 301-2	Raw materials recovered	Kg	218,423,105.77	273,208,562.76	460,625,898.00
			%	21%	23%	31%

**The Europe region includes the factories located in Morocco and Russia.*

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Circular economy

CIE Automotive is moving in several directions towards a circular economy model with the aim of reducing the intake of materials and the production of virgin waste by closing economic and ecological loops.

Suppliers:

- **Raw materials:** encouraging the purchase of raw materials obtained from recycling processes, particularly steel and aluminium, the materials used most intensively in its manufacturing processes.
- **Energy:** fostering the purchase of electricity generated from renewable sources. Today, 100% of the electricity purchased in Spain is renewable (the energy consumption synopsis table provides the breakdown of energy by source and by region).

Internal process:

- Reusing waste in internal processes. This is very important in aluminium processes but is also a consideration in the casting and plastics processes due to technical requirements, albeit to a lesser extent.
- Fostering waste recycling.

Sales:

- Use of returnable packaging in collaboration with its customers.

Waste management [306-2]

CIE Automotive fosters the recycling of its waste by seeking our handlers capable of giving it a second use, so that as little as possible is sent to landfills. The table below shows how the percentage sent for recycling is significantly higher than that sent to landfill.

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WASTE MANAGEMENT [306-2]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 306-2 (H)	Hazardous waste disposed of	MT			16,874.00
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				101,945.57
	GRI 306-2	TOTAL		126,079.77	115,653.74	118,819.63
North America	GRI 306-2 (H)	Hazardous waste disposed of	MT			2,937.95
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				82,375.98
	GRI 306-2	TOTAL		32,630.56	42,868.83	85,313.93
Brazil	GRI 306-2 (H)	Hazardous waste disposed of	MT			3,980.26
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				48,432.53
	GRI 306-2	TOTAL		15,952.32	19,122.59	52,412.78
Asia (India/China)	GRI 306-2 (H)	Hazardous waste disposed of	MT			3,114.36
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				115,716.36
	GRI 306-2	TOTAL		83,577.41	84,307.16	118,830.71
TOTAL	GRI 306-2 (H)	Hazardous waste disposed of	MT			26,906.63
	GRI 306-2 (N-H)	Non-hazardous waste disposed of				348,470.43
	GRI 306-2	TOTAL		258,240.06	261,952.32	375,377.06

**The Europe region includes the factories located in Morocco and Russia.*

CIE Automotive also has a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes, thus fostering the above-mentioned circular economy model.

In aluminium, for example, shaped using injection moulding and machining processes, CIE Automotive generates sizeable amounts of remains such as sprue, risers, starting pieces, etc. from the injection moulding process and shavings from the machining process. In both instances, the company reuses these remnants in the melting process. It is worth highlighting a process set in motion by CIE Celaya (Mexico) in order to reuse in-house the aluminium shavings generated in its machining processes; this waste used to have to be sent out for management.

The plastics division recycles sprue and other remains returned by its injection moulding process. The biggest amount of waste generated by CIE Automotive is steel from its stamping, forging and machining processes. Given that this steel cannot be recycled in full within the group's factories, it is delivered to a number of different local suppliers for end-to-end reuse.

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Most of the waste generated that cannot be recycled internally is sent to waste handlers which prioritise recycling over the landfill disposal method.

Note that although food management is not part of CIE Automotive's core business, all of the facilities with canteens or food vending machines for employees (and regardless of whether these services are outsourced) are subject to the most stringent food quality and safety rules, including food waste prevention criteria to the extent feasible.

Energy efficiency and emissions [302-1, 302-3, 305-1, 305-2, 305-4]

In recent years, CIE Automotive has made significant progress on its energy efficiency, an area of priority importance because it helps reduce its environmental footprint and can translate into significant competitiveness gains.

The highest consuming technologies - aluminium injection moulding and steel forging - are the key areas of focus for a range of initiatives that range from efficient use of air compressors (via the reuse of the heat generated by the air compressors, the correct management of the distribution network, electric engines, furnaces, etc.), as well as smaller details such as efficient lighting.

ENERGY CONSUMPTION AND SAVINGS [302-1]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	806,249.89	760,177.02	904,828.58
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	1,372,769.38	1,443,304.32	1,498,492.08
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	637,465.70
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	861,026.38
	GRI 302-1	TOTAL	Gigajoules (GJ)	2,179,019.27	2,203,481.33	2,403,320.66
North America	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	346,130.86	388,682.37	357,669.91
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	363,315.48	540,943.09	734,755.93
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	598,914.08
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	135,841.85
	GRI 302-1	TOTAL	Gigajoules (GJ)	709,446.35	929,625.46	1,092,425.84

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Brazil	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	101,636.69	122,190.94	175,500.25
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	379,636.33	512,872.70	638,508.15
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	90,360.33
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	548,147.82
	GRI 302-1	TOTAL	Gigajoules (GJ)	481,273.02	635,063.64	814,008.39
Asia (India/China)	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	136,807.60	111,087.86	170,942.47
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	907,273.61	985,850.49	1,053,221.25
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	889,320.24
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	163,901.01
	GRI 302-1	TOTAL	Gigajoules (GJ)	1,044,081.21	1,096,938.36	1,224,163.72
TOTAL	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	1,390,825.05	1,382,138.19	1,608,941.20
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	3,022,994.80	3,482,970.60	3,924,977.41
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	-	2,216,060.35
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	-	1,708,917.05
	GRI 302-1	TOTAL	Gigajoules (GJ)	4,413,819.85	4,865,108.78	5,533,918.61

**The Europe region includes the factories located in Morocco and Russia.*

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EMISSIONS [305-1, 305-2]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 305-1 GRI 305-2 GRI 305	Direct emissions Indirect emissions TOTAL	CO_2 (MT)	51,893.41 128,858.95 180,752.36	48,896.85 134,484.94 183,381.79	52,227.83 78,277.93 130,505.76
North America	GRI 305-1 GRI 305-2 GRI 305	Direct emissions Indirect emissions TOTAL	CO_2 (MT)	22,189.48 46,145.92 68,335.40	24,856.42 70,596.58 95,453.01	20,406.82 78,860.08 99,266.90
Brazil	GRI 305-1 GRI 305-2 GRI 305	Direct emissions Indirect emissions TOTAL	CO_2 (MT)	6,519.22 9,174.54 15,693.76	7,962.10 12,693.03 20,655.12	10,151.10 1,706.81 11,857.91
Asia (India/China)	GRI 305-1 GRI 305-2 GRI 305	Direct emissions Indirect emissions TOTAL	CO_2 (MT)	9,435.39 222,618.14 232,053.53	7,436.08 241,360.28 248,796.36	10,916.47 206,331.15 217,247.62
TOTAL	GRI 305-1 GRI 305-2 GRI 305	Direct emissions Indirect emissions TOTAL	CO_2 (MT)	90,037.49 406,797.56 496,835.05	89,151.45 459,134.83 548,286.28	93,702.22 365,175.97 458,878.19

**The Europe region includes the factories located in Morocco and Russia,*

The table below shows the emissions foregone as a result of purchasing energy generated from renewable sources.

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 305-2	Indirect emissions	CO_2 (MT)	-	-	71,462.56
North America	GRI 305-2	Indirect emissions	CO_2 (MT)	-	-	17,020.41
Brazil	GRI 305-2	Indirect emissions	CO_2 (MT)	-	-	10,353.90
Asia (India/China)	GRI 305-2	Indirect emissions	CO_2 (MT)	-	-	38,936.40
TOTAL	GRI 305-2	Indirect emissions	CO_2 (MT)	-	-	137,773.27

**The Europe region includes the factories located in Morocco and Russia.*

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ENERGY INTENSITY [302-3]

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.66	0.53	0.65
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.12	1.01	1.07
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.45
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.61
	GRI 302-3	TOTAL	GJ/€ 000	1.77	1.55	1.71
North America	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.64	0.54	0.47
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	0.67	0.75	0.96
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.78
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.18
	GRI 302-3	TOTAL	GJ/€ 000	1.32	1.29	1.43
Brazil	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.46	0.37	0.54
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.72	1.56	1.97
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.28
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	1.69
	GRI 302-3	TOTAL	GJ/€ 000	2.18	1.93	2.52
Asia (India/China)	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.31	0.23	0.32
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	2.07	2.04	1.95
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	1.65
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.30
	GRI 302-3	TOTAL	GJ/€ 000	2.38	2.27	2.27

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Total	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.57	0.47	0.53
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.25	1.18	1.30
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	-	0.73
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	-	0.56
	GRI 302-3	TOTAL	GJ/€ 000	1.82	1.65	1.83

**The Europe region includes the factories located in Morocco and Russia.*

	Indicator	Definition	Unit	2016	2017	2018
Europe*	GRI 305-4 (D) GRI 305-4 (I) GRI 305-4	Direct emissions Indirect emissions TOTAL	CO_2 MT/€ 000	0.04 0.10 0.15	0.03 0.09 0.13	0.04 0.06 0.09
North America	GRI 305-4 (D) GRI 305-4 (I) GRI 305-4	Direct emissions Indirect emissions TOTAL	CO_2 MT/€ 000	0.04 0.09 0.13	0.03 0.10 0.13	0.03 0.10 0.13
Brazil	GRI 305-4 (D) GRI 305-4 (I) GRI 305-4	Direct emissions Indirect emissions TOTAL	CO_2 MT/€ 000	0.03 0.04 0.07	0.02 0.04 0.06	0.03 0.01 0.04
Asia (India/China)	GRI 305-4 (D) GRI 305-4 (I) GRI 305-4	Direct emissions Indirect emissions TOTAL	CO_2 MT/€ 000	0.02 0.51 0.53	0.02 0.50 0.52	0.02 0.38 0.40
TOTAL	GRI 305-4 (D) GRI 305-4 (I) GRI 305-4	Direct emissions Indirect emissions TOTAL	CO_2 MT/€ 000	0.04 0.17 0.20	0.03 0.16 0.19	0.03 0.12 0.15

**The Europe region includes the factories located in Morocco and Russia.*

Light and noise pollution

Although this aspect does not apply to the company's activities, CIE Automotive's environmental management systems are framed by the ISO 14001 standards, thus ensuring compliance with prevailing thresholds. Its systems are designed to help prevent and improve management of the company's environmental impacts, risks and opportunities as a whole.

Non-compliance with environmental laws and regulations [307-1]

The company did not receive any significant fines for non-compliance with environmental laws or regulations in 2018. Significant fines are those of €30,000 or more.

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5. We are driven by engagement

5.8. Community

[102-13, 103-1, 103-2, 103-3, 203-2, 413-1, 415-1]





WE EMBARKED ON OUR FIRST STRATEGIC ALLIANCE AT THE CORPORATE COMMUNITY WORK LEVEL

MILESTONES IN 2018

- Execution of an agreement with Save the Children under which the company will participate in the "*Caminando hacia el futuro"* programme.
- Membership of Forética's Social Impact Cluster.
- Growth of 100% in community work donations.
- Growth of 13% in employee participation and of 31% in beneficiaries of community work programmes.

LINES OF INITIATIVE UNDERTAKEN IN 2018

- Definition of a community work model in line with the guidelines approved by the CSR Committee in December 2017.
- Growth in employee participation in volunteering activities.
- Continued fine-tuning of the contribution to the community.

LINES OF INITIATIVE IDENTIFIED FOR 2019

- Start-up of the "*Caminando hacia el futuro"* [Walking towards the future] programme in Mexico under the umbrella of the strategic alliance with Save the Children.
- Extending the growth in community work in terms of: the number of projects; employee participation; and the number of beneficiaries.

CIE Automotive is aware of its responsibilities towards the communities where it carries out its operations. To this end it focuses its community effort on local development needs and expectations. Its projects can take many forms, including volunteering, collaboration agreements, schooling programmes, reforestation drives, etc.

The company aspires to have its progress translate into progress in its communities by playing a prominent role in their economic development by creating jobs, invigorating the local business landscape and paying taxes. In parallel, it strives to minimise the negative impacts generated by its manufacturing facilities and focuses its community programmes on local development needs and expectations, at all times framed by the principles laid down in its Social Action Policy:

- Collaboration
- Transparency
- Contribution of added value
- Long-term commitment
- Employee engagement in company efforts
- Focus on underprivileged places

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VALUE GENERATED AND DISTRIBUTED [201-1]

€ million	**2016 (***)**	**2017 (***)**	**2018**
Revenue	2,220.8	2,845.6	3,029.5

Economic value distributed	**2016 (***)**	**2017 (***)**	**2018**
To shareholders (dividends)*	42.6	52.9	72.2
To shareholders (special dividend)**	-	-	404.7
To employees (employee benefits expense)	445.5	532.0	557.8
To suppliers (consumption of raw materials and auxiliary materials)	1,271.1	1,683.7	1,836.7
To society (income tax paid)	43.3	55.9	66.9

(*) Dividend paid during the year.
(**) Market value of the special dividend articulated to distribute the group's interest in Dominion to its shareholders.
(***) In order to provide greater transparency and clarity in the information, the following is compared with the Automotive data published as comparable in the consolidated financial statements published by CIE Automotive 31/12/2018. The information differs from that published in 2017 due to the fact that, according to accounting standards, the specific impacts on the different lines of the income statement of those businesses discontinued in 2018 must be eliminated. For further information see the Consolidated Annual Accounts for the year ended 31 December 2018.

CIE Automotive plays a role in local development by creating jobs, purchasing from local suppliers, providing training and paying taxes in all its operating markets. Beyond the benefits generated directly by its activities, it collaborates with the authorities and other local organisations on different community initiatives that can be classified into one of three categories: donations; sponsorships; and community investment.

87% of CIE Automotive factories have local community managers, which brings the company in closer contact with local needs and enables it to react quicker to sudden crises and ensure that each country takes the decisions that generate the most value.

CIE Automotive's contributions to community work programmes increased to over €800,000 in 2018, up 100% from 2017. Employee participation in these initiatives increased by 13%, from 2,400 employees in 2017 to over 2,700 in 2018. In addition, in 2018, more than 76,000 people benefited from these local community work programmes, 30% more than in 2017.

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COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
EUROPE*	372,700	1,144	764
NORTH AMERICA	75,067	74	7,731
BRAZIL	39,606	11	1,221
ASIA	328,961	1,474	21,744
TOTAL	**816,334**	**2,703**	**31,460**

**The Europe region includes the factories located in Morocco and Russia.*

CIE Automotive's community work rounds out its contribution to community development through its activity as manufacturer and its institutional relations effort, in which its membership of the Forética Social Impact Cluster stands out.

Membership of Forética's Social Impact Cluster

CIE joined the Forética (www.foretica.org) Social Impact Cluster in May 2018. The Cluster is a forum made up of 60 large enterprises. It was set up to try and understand, assess, measure and improve the impact companies' community work has on society.

The mandate of this platform, which is led by Endesa, Grupo Cooperativo Cajamar, Ibercaja and Ilunion and coordinated by Forética, is to transpose into the Spanish context the main global trends and debates in the field of corporate social impact and to help generate practical solutions and deeper knowledge of the main related topics.

In addition to the Social Impact Cluster, CIE Automotive also participates in Forética's Transparency, Integrity and Good Governance Cluster and its Climate Change Cluster.

In 2018, the company worked to devise a community work model in line with the guidelines set in that policy.

«The "Caminando hacia el futuro" project is scheduled to begin in Puebla (Mexico) in April 2019.»

As a result of that effort, it entered into a corporate agreement with Save the Children Mexico under which it will finance and participate in that NGO's *Caminando hacia el futuro* [Walking towards the future] initiative planned for the city of Puebla.

This project, which is scheduled to begin in April 2019 and run for 18 months, consists of training youths aged between 15 and 21 with the aim of increasing their chances of finding decent work and breaking intergenerational poverty cycles.

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CIE Automotive's contribution to the project encompasses direct financing as well as direct participation by volunteers in the training sessions, at job fairs and facility tours.

The ultimate aim is to help make the transition by youths aged between 15 and 21 into adult life a success by giving them skills and chances for finding work.

- **Objective:** Skills training for three technical baccalaureate classes, 800 youths (320 women and 480 men) enrolled in the fifth semester and to provide that training continuously until they complete the sixth semester.

- **Steps:**
  - Diagnosis of the job market;
  - Company outreach strategy;
  - Contacts with potential employers;
  - Assistance with the training;
  - Execution of Job Fairs;
  - Raising awareness about the gender gap;
  - Monitoring of trained youths; and
  - Impact assessment (comparison of results, pre and post programme).

- **Indicator:**
  - Number of youths who complete the training programme.
  - Percentage of youths who display increased familiarity with and use of employability skills.
  - Number of organisations that embrace the initiative.
  - Number of alliances with employers.
  - Ten areas of improvement between the group at the start and end of the programme.
  - Percentage of youths employed (paid work, work practice and self-employment).

This is the company's first such agreement at the corporate level, although it has been working on local projects with various NGOs for years, in keeping with the United Nations Sustainable Development Goals. CIE Automotive's decentralised management model makes it easier to take community engagement decisions and to align them with each country's specific needs.

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COMMUNITY WORK PROJECTS BY REGION

Europe

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
EUROPE	372,700	1,144	764

- **Training assistance for youths and the elderly,** end-to-end care, help and assistance for persons with disabilities of any kind (physical, intellectual, sensory or mental) with the aim of helping to integrate them into the workplace and society by means of donations to the AFIM Foundation in Spain.
- **Donations to associations that support persons with intellectual disabilities and rare illnesses** in Spain.
- **Donations to and collaboration with the Food Bank, UNICEF and Caritas** in Spain.
- **Collaboration with the choir association Coral de Bilbao** on the socio-educational music project Eskolan Kantari under which the company awards two scholarships to children as part of an initiative whose goal is to bring choir practice to schools with no music on the curriculum.
- **Collaboration with the Lenbur Foundation (Legazpi, Gipuzkoa):** This foundation was created with the overriding objective of raising the profile of the iron industry's natural and cultural heritage as a symbol of cultural identity and a means for external projection, thus contributing to economic and social development. The Lenbur Foundation has fostered the study and recovery of elements of Spain's industrial past, with several museums set up as a result.
- **Blood donation** drives.
- Support for **child education, skills training and job creation**: In Portugal and Romania, CIE Automotive collaborates with educational institutions and centres that support disadvantaged children and the integration of youths into society.
- **Support for and collaboration with AFAGI** (the Gipuzkoa association of relatives, friends and persons with Alzheimer's and other forms of senile dementia). This organisation's mission is to defend the quality of living of persons affected by Alzheimer's and other forms of dementia and their loved ones.
- **Promotion of local culture and sports:** In Slovakia, the company contributes to a national 'Bike to Work' initiative targeted at cities. Other European factories also promote local culture; notably, the factory in Lithuania collaborated on the promotion of Marijampole as Lithuania's cultural capital of the year.

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North America

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
NORTH AMERICA	75,067	74	7,731

- The North American factories contribute to organisations that research cures for cancer, leukaemia and diabetes and others that tackle crime and develop local schools (Angels of Hope, the Michael Ostrowski Cancer Foundation, the Children's Leukaemia Foundation of Michigan (CLF), the Juvenile Diabetes Research Foundation, Crime Stoppers of Michigan).
- **Support and care for the needs of children and teenagers with disabilities and their families:** In 2018, the company collaborated with the Teletón Foundation which strives to transform, via the daily work of its partners and volunteers, the harsh living situation of many Mexicans. The project began in 1997 with the dream of bringing together companies, the media and society to attend to the needs of children and adolescents with disabilities and those of their families.
- **Reforestation and conservation work in preservation areas:** Certain Mexican factories collaborate with reforestation initiatives in order to raise environmental awareness.
- Support for programmes for children with heart disease.
- Donations to the Red Cross in Mexico.

Brazil

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
BRAZIL	39,606	11	1,221

- **Contribution to food safety and means of livelihood** for the neediest by means of the provision of guaranteed clean water in the community of Sao Paulo.
- **Programmes for improving quality of living in the community:** CIE Automotive participates in programmes for tackling hunger and poverty through its collaboration with the Terra Foundation.

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Asia

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
ASIA	328,961	1,474	21,744

The Mahindra CIE and Bill Forge factories are known for encouraging their employees to participate in voluntary community work, with a priority focus on the areas of education, environmental protection, personal and road safety and health. Specifically, they earmarked more than €325,000 to these activities, in which nearly 1,500 employees participated, in 2018. Over 20,000 work hours were devoted to community work with a positive impact on more than 10,000 people.

- **Street Light Project in Kanhe (Pune)**: Mahindra CIE lent its support to a street lighting programme in Pune with the main aim of saving energy.
- **Promotion of and assistance for education:** CIE Automotive provides support for schools such as materials and funds for infrastructure in the most disadvantaged communities. It also gives scholarships to the brightest students so that they can further their education.
- **Personal and road safety programmes:** Focused on and targeted at teenagers. The idea is to educate adolescents about how to stay safe, taking a preventive approach.
- **Health services in schools and villages:** CIE Automotive also contributes to medical check-ups for students and local community members with the aim of furthering the early detection and prevention of diseases.
- **Blood donation** days.

Institutional relations [102-13, 415-1]

Institutional relations are based on collaboration and stringent compliance with prevailing legislation, while engaging openly and continuously with them with the aim of minimising potentially adverse impacts on local communities. The company is politically neutral and does not finance, either directly or indirectly, political parties or their representatives or candidates, either in Spain or abroad.

The company is firmly committed to fighting corruption and to establishing principles to govern the conduct of everyone comprising the company, as is reflected in its Code of Conduct, Anti-Corruption and Anti-Fraud Policy and its endorsement of the ten principles enshrined in the United Nations Global Compact. Specifically, as contemplated in the tenth principle of the Global Compact, CIE Automotive is explicitly committed to combatting corruption in all its forms, including extortion and bribery and to developing specific and exemplary policies in this arena.

In order to enforce this policy, in addition to having 100% of its factories endorse the Code of Conduct, in 2018 the company carried out worldwide controls to make sure that none are financing political parties or related political institutions

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ASSOCIATIONS TO WHICH CIE AUTOMOTIVE BELONGS

SERNAUTO - the Spanish association of automotive equipment and components manufacturers. Member of the Management Board.

APD - Association for management progress.

CLEPA - the European Association of Automotive Suppliers. Member of the R&D Committee.

EGVIA - the European Green Vehicles Initiative Association.

M2F (Move to Future) - a Spanish automotive and mobility technology platform. Membership of the Governing Board

TECNALIA - a private applied research centre. Membership of the Management Board.

ACICAE - the Basque automotive cluster. Chair of the Management Board.

CTAG - the Galician automotive cluster.

AIC - Automotive Intelligence Center. Vice-Chair of the Management Board.

TASKFORCE PILOT TESTING ADVANCED MANUFACTURING IN THE BASQUE REGION. Member of the Executive Committee.

ACMA – the Automotive Component Manufacturers Association of India.

BACC – the Baltic Automotive Components Cluster.

AIFI – the Association of Indian Forging Industry.

FVEM – the Vizcaya confederation of metal companies.

CCMI – the Confederation of Chinese Metalforming Industry.

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6. We are driven by good governance

6.1 Corporate governance principles
6.2 Governance bodies
6.3 Business ethics
6.4 Risk management



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6. We are driven by good governance

Because we believe that business ethics must go beyond good intentions and that to ensure they do we must put in place the rules, bodies, channels and procedures needed to guarantee that all of us comprising the group conduct ourselves correctly. Because we know that our strong reputation is one of the company's most important assets.

6.1 Corporate governance principles [419-1]

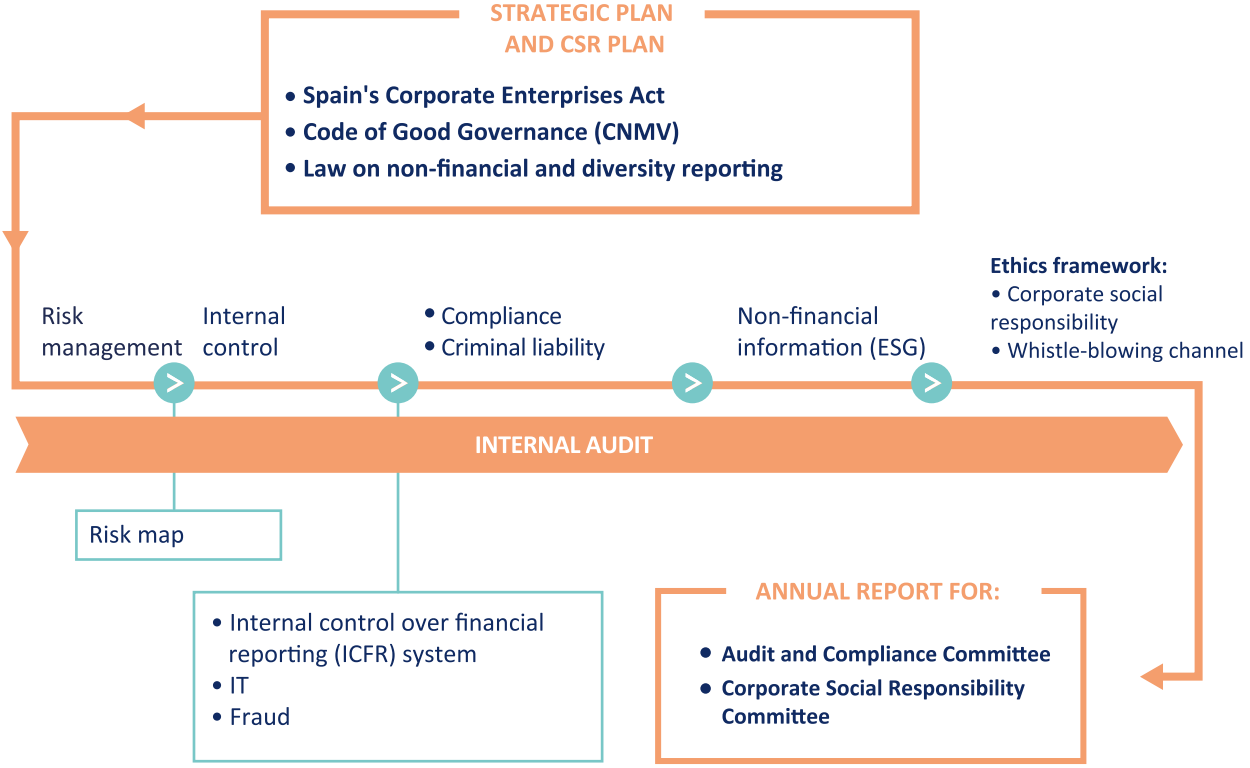
WE BOAST A HIGH-QUALITY AND FUNCTIONING STRUCTURE

CIE Automotive has articulated a corporate governance model to effectively protect the corporate interest. It complies with the leading international standards and Spain's Good Governance Code for Listed Companies. In 2018, it continued to bring its risk management system to a new level and consolidated its role in Forética's Transparency, Integrity and Good Governance Cluster.

This governance regime is articulated around a body of in-house rules and regulations, comprising the Bylaws, the rules governing its governance bodies (the Board of Directors and its committees and the Annual General Meeting), the corporate policies regulating stakeholder relations and a series of internal rules, most notable among which the internal codes of conduct:

- Internal Code of Professional Conduct
- Internal Securities Markets Code of Conduct
- Criminal Risk Prevention Manual

The principles dictating how the system works are defined in the official Corporate Governance Policy. In addition, the process map, updated in 2017, devotes a **process specifically to compliance** and implements the following universe of procedures:



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The Board of Directors defines and regularly reviews the group's organisational structure at the highest level; it delegates the duty of ensuring that the areas below this structure have the human and capital resources they need in the executive team.

In the pursuit of transparency, both the rules and regulations formulated by the group and its Annual Corporate Governance Reports and Director Remuneration Policy are available for consultation by stakeholders on the corporate website **www.cieautomotive.com**, in keeping with the technical and legal formalities and specifications stipulated by Spain's securities market regulator, the CNMV, in Circular 3/2015 (of 23 June 2015).

The company received ten fines for non-compliance with laws or regulations in the social and economic arenas for €210,000 in 2018.

Member of Forética's Transparency, Integrity and Good Governance Cluster

CIE Automotive has been a member of the Transparency, Integrity and Good Governance Cluster created by the business platform, Forética, since 2016. During its third year, this forum continued to attempt to set the standard in the areas of transparency, governance and business ethics and to have Spain embrace the key trends and debates taking place around the world in these fields from a business perspective, collaborating to this end with governments and opinion leaders.

During the first half of the year, the forum analysed the implications of and ways of adapting to Royal Decree-Law 18/2017 on non-financial and diversity reporting. During the second half, the cluster focused on analysing in greater depth the influence of environmental, social and governance (ESG) matters on decision-making, how these matters are being reported and the role they play in generating opportunities and mitigating risks, including their ability to reinforce business stability by creating opportunities and becoming a selection criterion for investors and the market.

CIE Automotive's involvement with Forética also extends to participation in its Climate Change Cluster and Social Impact Cluster. It also enables it to participate in seminars of vital interest to the company.

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OUR BOARD OF DIRECTORS IS PROFESSIONAL AND DIVERSE

CIE Automotive's key governance bodies are the Annual General Meeting, the Board of Directors and its Committees and the Steering Committee. Among the new developments materialising in 2018, it is worth highlighting the approval of the Director Remuneration Policy and the start-up of a new Strategy and Operations Committee.

THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is highest decision-making body at which CIE Automotive's shareholders exercise their influence. Its duties and powers are regulated in AGM Regulations. Shareholders of record within at least five days of the scheduled meeting date are entitled to attend. The quorum for calling the AGM to order is that stipulated in article 196 of the Spanish Corporate Enterprises Act. The members of the Board of Directors are obliged to attend the Meeting under article 10 of the AGM Regulations.

In 2018, the Annual General Meeting took place on 24 April and was attended by 300 shareholders, in person or via proxy, representing 94.92% of the company's share capital.

«The 2018, AGM took place on 24 April and was attended by 300 shareholders, representing 95% of the company's shares.»

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2018 AGM RESOLUTIONS [102-37]

- Approval of the financial statements of CIE Automotive, S.A. and of its consolidated group and grant of discharge to the Board of Directors for 2017.
- Approval for a final dividend of €0.28 per share (before withholdings), which was paid out on 3 July 2018, following the payment of an interim dividend against 2017 profits, similarly of €0.28 per share, on 5 January 2018.
- Extraordinary in-kind distribution of Global Dominion Access, S.A. shares against reserves.
- Authorisation of the Board of Directors for the derivative acquisition of own shares, directly or through group companies, in accordance with articles 146 and 509 of the Spanish Corporate Enterprises Act, and reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.
- Designation of PricewaterhouseCoopers as the auditor of the company's separate and consolidated financial statements.
- Appointment of Mr. Santos Martínez-Conde Gutiérrez Barquín as proprietary director of the company.
- Approval of the Director Remuneration Policy.
- Approval of a long-term incentive plan based on the company's share price performance for the CEO.
- Advisory shareholder vote on the Annual Report on Director Remuneration at CIE Automotive, S.A.
- Authorisation of the Board of Directors, or any of its members, to set up and endow a foundation or association.
- Delegation of powers to execute the forementioned resolutions.
- Approval of the meeting minutes.

For further information about the AGM.

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BOARD OF DIRECTORS
[102-18, 102-22, 102-23, 102-24, 102-26, 102-27, 405-1]

CIE Automotive's Board of Directors is its highest governing body and is made up of 13 members. Its duties are stipulated in the Bylaws and in the Board Regulations. Its members are prestigious professionals who have demonstrated their competence and credibility over the course of their careers.

Of the company's 13 directors, two are executive, two are independent and nine are proprietary. That means that 18% of the non-executive members are independent. Moreover, these independent directors sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee.

Female directors (two) account for 15% of the board seats. By nationality, 11 of the directors are Spanish and two are Indian.

The roles of the Chairman and CEO are clearly defined in the company's Board Regulations and fall to different people, even though both sit on the Board of Directors. The Chairman relinquished his executive duties at the end of 2017, staying on as proprietary director and non-executive chair, thus reinforcing CIE Automotive's governance practices.

In 2018, the Board of Directors met on six occasions and all the meetings were presided by its Chairman.

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BOARD OF DIRECTORS (as of 31 December 2018)

	Position	Class of director	Strategy and Operations Committee	Appointments & Remuneration Committee	Audit & Compliance Committee	CSR Committee
Mr. Antonio María Pradera Jáuregui	Chairman	Proprietary	Chairman			
ELIDOZA PROMOCION DE EMPRESAS, S.L., represented by Ms. Goizalde Egaña Garitagoitia	Vice Chairwoman	Proprietary				Chairwoman
Mr. Jesús María Herrera Barandiaran	Chief Executive Officer	Executive	Director			
Mr. Ángel Ochoa Crespo	Director	Independent		Chairman	Director	
Mr. Carlos Solchaga Catalán	Director	Independent		Director	Chairman	
Mr. Francisco José Riberas Mera	Director	Proprietary	Director	Director		
Mr. Juan María Riberas Mera	Director	Proprietary				
Mr. Fermín del Río Sanz de Acedo	Director	Executive	Director			
MAHINDRA &MAHINDRA, Ltd. represented by Mr. Shriprakash Shukla	Director	Proprietary				
MAHINDRA &MAHINDRA, Ltd. represented by Mr. Vankipuram Parthasarathy	Director	Proprietary				
CORPORACIÓN FINANCIERA ALBA, S.A., represented by Mr. Santos Martínez-Conde Gutiérrez Barquín	Director	Proprietary	Director			Director
ADDVALIA CAPITAL, S.A., represented by Ms. María Teresa Salegui Arbizu	Director	Proprietary			Director	Director
QMC DIRECTORSHIPS, S.L., represented by Mr. Jacobo Llanza Figueroa	Director	Proprietary				

Secretary, non-member: Roberto José Alonso Ruiz | Deputy Secretary, non-member: José Ramón Berecibar Mutiozabal

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The Board of Directors organises its work through committees:

Strategy and Operations Committee

Permanent committee set up in December 2017 and operational since 2018. Its duties include assessing and making proposals to the Board of Directors about business growth, development and diversification strategies; bringing new investment opportunities before the Board of Directors; and studying and proposing recommendations or improvements to the strategic plans and plan updates submitted to the Board of Directors from time to time. This committee met once in 2018.

Audit and Compliance Committee

Its purview is to oversee the financial reporting process and ensure the independence and effectiveness of the internal audit function. Its duties include revising the internal control and risk management systems, selecting, appointing and replacing the auditor and taking receipt of information from the auditor, whose independence it must safeguard. This committee held five meetings in 2018.

Appointments and Remuneration Committee

Among other duties, this committee is tasked with formulating and reviewing the criteria for selecting director candidates, evaluating the directors' performance, proposing and monitoring the director remuneration system, in particular the amounts of their annual pay, and overseeing new director selection procedures. It met four times in 2018.

Corporate Social Responsibility Committee

Created in 2015, this committee is made up of three members and its job is to promote CIE Automotive's corporate governance and CSR strategy, among other duties. It met once in 2018.



Absent: Mr Carlos Solchaga Catalán, Mr Shriprakash Shukla and Mr Vankipuram Parthasarathy.

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Director CVs and qualifications



Antonio María Pradera Jáuregui
CHAIRMAN (PROPRIETARY)

A road engineering graduate from Madrid's Polytechnic University, Mr. Pradera began his career in 1979 as a director at Banco Bilbao, where he worked until 1985. In 1988, he was named executive director of Nerisa, where he stayed until 1993, when he moved to SEAT as director of strategy. He played an important role in the creation of INSSEC in 1995, where he served as chief executive until 2010. He served as the Executive Chairman of CIE Automotive from 2012 until 2017, working in the strategy and financial design departments; he also chaired Global Dominion Access, S.A. Since May 2015, he has been a director at Tubacex and since June 2015, a director at Corporación Financiera Alba. On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the company's corporate governance practices.



Goizalde Egaña Garitagoitia
VICE CHAIRWOMAN (PROPRIETARY)

A graduate of economic and business science from Deusto University in San Sebastián, where she also completed post-graduate studies in Business Competitiveness and Regional Development and an executive financial management programme. She began her career in the finance department of Compañía Ibérica de Encuadernaciones S.A. (CINENSA) in 1989 and later joined the team of auditors at Attest Consulting (1990 - 1992). She served on the board of INSSEC and is currently a director at Global Dominion Access, S.A.



Jesús María Herrera Barandiaran
CHIEF EXECUTIVE OFFICER (EXECUTIVE)

A graduate of business studies and economics from the Basque University, Mr. Herrera also holds a Master of International Expansion (from Euroforum). He joined CIE Automotive as CFO in 1991, also heading up the HR function for CIE Orbelan. In 1995, he was named deputy manager and in 1998 he was promoted to general manager. In 2000, he took over management of CIE Brazil and in 2002, of CIE Plasfil. That same year he was named global director of CIE Plástico, a position he held until 2005, when he took up the general manager spot at CIE America. He has been the CEO of Autometal S.A. since 2010 and in 2011 he was named COO for the entire Group; just a year later he would be named general manager of CIE Automotive. Lastly, in 2013, the Board of Directors appointed him CEO of CIE Automotive. He is also a director at Global Dominion Access, S.A.

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Ángel Ochoa Crespo
DIRECTOR (INDEPENDENT)

A graduate of business administration from the Basque University, Mr. Ochoa also holds a Master of International Business Administration (MIBA) from the United States International University of San Diego. He boasts 24 years' experience in the financial sector, having held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-ended collective investment schemes (SICAVs). He is currently the financial advisor in the investment area and partner at the firm Angel Ochoa Crespo EAFI. He also chairs ISLOPAN, S.A.



Carlos Solchaga Catalán
LEAD INDEPENDENT DIRECTOR (INDEPENDENT)

A graduate of economic and business science from Madrid's Complutense University, Mr. Solchaga has also completed post-graduate studies at the Alfred P. Sloan School at the Massachusetts Institute of Technology (MIT). In 1980, he was elected member of the Spanish Parliament as deputy for the PSOE and was subsequently re-elected in 1982, 1986, 1989 and 1993, ultimately presiding the Socialist Party's Parliamentary Group in 1993-94. Other noteworthy appointments: member of the Basque regional government prior to approval of the Euskadi Autonomous Statute (1979-80); president of the IMF's Interim Committee (1991-1993), Minister of Industry and Energy (1982-1985); and Minister of the Economy and Finance (1985-1993) in Spain. He is currently an international consultant and a president of the firm Solchaga & Recio Asociados. Other current appointments include: chairman of the Euroamerica Foundation; president of the Arquitectura y Sociedad Foundation, chairman of the Advisory Board of the Roca Junyent law firm, member of the Scientific Board of the Elcano Royal Institute and member of the board of Pharma Mar, S.A.



Francisco José Riberas Mera
DIRECTOR (PROPRIETARY)

A dual law (1987) and business studies graduate (1988) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997 since which time he has been that firm's Executive Chairman, forging the group it is today. He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables and Inmobiliaria Acek. He is a member of other boards such as Telefónica, Global Dominion Access and Sideacero. Lastly, he is the president of IEF (acronym in Spanish for the Family Business Institute) and active at the Endeavor Foundation.

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Juan María Riberas Mera
DIRECTOR (PROPRIETARY)

A law and business studies graduate (dual degree) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career at Grupo Gonvarri in 1992 in the business development area, a group where he later assumed the role of CEO. In 2005, he was one of the backers behind the creation of ACEK Renewables, taking on the position of executive chairman in 2007. Since 2010 he has been serving as chairman of Gonvarri Steel Industries and co-chairman of ACEK, the family-owned holding company. He is also a trustee of the Juan XXIII Foundation.



Fermín del Río Sanz de Acedo
DIRECTOR (EXECUTIVE)

A business studies graduate (San Sebastian). He began his career as tax advisor in 1975 and is the founder of Norgestión (a consultancy specialised in mergers & acquisitions, tax law and finance). He provided services to this firm until 2008. He has also headed up ADEGI (the Guipuzcoa business association) and been a member of CONFEBASK, the Basque committee of business owner associations. He chaired Autometal S.A. in the past and currently sits on the boards of Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access S.A.



Santos Martínez-Conde y Gutiérrez-Barquín
DIRECTOR (PROPRIETARY)

Santos holds a Bachelor of Engineering (roads, canals and bridges), a Master of Business Administration from ICADE and a Diploma in Nuclear Technology from ICAI. He has built his career in a number of engineering and financial sector firms: Sener, Técnica Naval e Industrial, S.A. (1979-1980), Técnicas Reunidas, S.A. (1980-1987), Bestinver, S.A. (1987-1990), Corporación Borealis, S.A. (1990-1994) and Banco Urquijo, S.A. (1994-1998). He has served on the boards of numerous listed and unlisted companies across a wide range of business sectors. He is the CEO of Corporación Financiera Alba, S.A. and currently sits on the boards of Banca March, S.A., Acerinox, S.A., Indra Sistemas, S.A., Bolsas y Mercados Españoles, SHMSF, S.A. (BME), Artá Partners, S.A., de Artá Capital SGECR, S.A., Deyá Capital SCR, S.A. and Deyá Capital IV SCR, S.A.

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Shriprakash Shukla
DIRECTOR (PROPRIETARY)

A technology graduate from the Indian Institute of Technology at Banaras Hindu University, Mr. Shukla also holds an MBA from the Indian Institute of Management of Ahmedabad. He has built his career at multiple companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, where he served as executive chairman before joining the Mahindra group. He currently runs the latter group's Aerospace & Defence subsidiary, chairs Mahindra Sanyo Special Steels and sits on the Executive Committee of Mahindra&Mahindra. Previous posts at this group included director of strategy and of brand management. Lastly, he is affiliated with prestigious industrial forms in several countries.



Vankipuram Parthasarathy
DIRECTOR (PROPRIETARY)

A commerce graduate from Gujarat University, Mr. Parthasarathy also holds an AMP from Harvard Business School. He began his career at Xerox, where he reached the position of associate director. In 2000, he joined Mahindra&Mahindra, Ltd., where he has held various executive positions. He is currently the CFO and CTO of Mahindra&Mahindra, Ltd. as well as sitting on the group's Executive Committee and on the boards of 14 subsidiaries (four of which are listed). He has won a number of accolades in the areas of finance, M&A and IT.



María Teresa Salegui Arbizu
DIRECTOR (PROPRIETARY)

A graduate of economic and business science from Deusto University. Ms. Salegui began her career at the transport firm La Guipuzcoana (1988-2002), where she worked as general manager, a position she also held at DHL Express Iberia (2002-2004). She is currently the chairwoman of Addvalia Capital and Perth Espacio y Orden, as well as sitting on the boards of several companies, including One Facility Management and Baztango.



Jacobo Llanza Figueroa
DIRECTOR (PROPRIETARY)

A graduate of economic and business science from the University of Paris. Jacobo built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital, before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. Following the sale of this firm to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he worked as managing director of equities & derivatives for Latam, Eastern Europe, Africa and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently a Managing Partner, as well as CEO of Alantra Asset Management. He also sits on the board of Tubos Reunidos.

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DIRECTOR PERFORMANCE EVALUATION [102-28]

As a listed company, CIE Automotive is committed to applying the most stringent corporate governance principles. Against this backdrop, in 2017 it engaged an outside firm to assist it in evaluating the board's performance that year.

In general terms the quantitative results of that exercise evidenced a reasonable level of satisfaction with the board's performance, scoring lower on average for 'ability to improve' than similar companies.

That evaluation was presented to the Appointments and Remuneration Committee in June 2018, emphasising the following areas for improvement:

- Increasing director participation.
- Sending meeting information to the directors sooner and facilitating access to prior meeting minutes.
- Fostering director independence and diversity.
- Increasing communication between the board committees and facilitating access to the various bodies' meeting minutes.

CIE Automotive worked on all of these areas in 2018.

The Chairman of the Board of Directors, in his newly non-executive capacity, has assumed responsibility for overseeing the company's corporate governance, reaching out personally to the directors to encourage familiarity with all aspects of relevance to performance of their duties.

At the recommendation of the Appointments and Remuneration Committee, the Board of Directors has evaluated several options for facilitating the provision of information and access to all of the directors, ultimately selecting *Diligent*, a tool that offers a complete solution that allows governing bodies to mitigate risks and coordinate optimally.

Diligent Boards is the cornerstone of the Governance Cloud ecosystem and manages board meetings agendas, documents, annotations and debates within a secure and user-friendly portal. The platform goes beyond digital management of the board's documentation, encompassing all aspects end-to-end, including the board committees, contacts established, votes case or reports issues, to name a few.

As for the board's composition in terms of both independence and diversity, the company is cognisant of the corporate governance recommendations in this arena and, as a function of optimal shareholder rotation vis-a-vis CIE Automotive's business interests, will continue to work towards complying with them.

As for this year's evaluation exercise, the Chairman is conducting the assessment with the help of the Compliance Department. The results will not be available by the time of issuing this report.

CONFLICTS OF INTEREST [102-25]

The company's directors were not party to any conflicts of interest in 2018.

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MANAGEMENT BOARD

The Management Board directly oversees management of the Business Units and coordination with the Corporate Areas with authority across all of CIE Automotive, including the Network Services.

Besides, there is a Steering Committee that meets periodically and is made up of the heads of the various Business Units and Corporate Areas.



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DIRECTOR REMUNERATION POLICY [102-35, 102-36, 102-37]

At the AGM last April, CIE Automotive's shareholders approved the new Director Remuneration Policy. The goal of that policy is to ensure that director remuneration is proportionate in terms of the dedication and responsibilities assumed, in keeping with compensation levels at comparable companies in Spain and abroad, and aligned with the long-term interests of the shareholders as a whole.

KEY PRINCIPLES OF THE REMUNERATION POLICY

Remunerating directors proportionately for their dedication and the responsibilities they assume, in keeping with the compensation paid by comparable companies in terms of market capitalisation, size, ownership structure and international presence.

Ensuring their remuneration makes a direct contribution to delivery of CIE Automotive's strategic objectives.

Ensuring the ability to attract, motivate and retain the best professionals.

In drawing up this policy, the company took into consideration the nature of the relationship between the directors and the firm insofar as it was decided not to remunerate the proprietary directors (other than the Chairman, who devotes considerably more time to the post). That being said, that decision is currently under review and it is conceivable that the policy will be adjusted in subsequent years to reconsider this specific matter.

«The new Director Remuneration Policy was approved at the April AGM.»

The new policy distinguishes between the remuneration system applicable to directors in their capacity as board members and the remuneration system applicable to executive directors for discharging their executive duties. For full-time executive directors, the remuneration policy is structured similarly to that applied to the rest of the company's executives.

(For more information, refer to Director Renumeration Policy)

In 2018, the average remuneration for directors and executives, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender was the following:

	Nr. of people	Men	Women	Men Average remuneration in euros	Women average remuneration in euros
Directors*	5	5	0	1,102,548	-
Executives	10	7	3	675,351	495,932

**Directors with remuneration: two executive, two indepent and the chairman.*

Elsewhere, the Board of Directors decided to facilitate the participation of 67 non-director executives in CIE Automotive's shareholder ranks by means of a five-year scheme. The goal is to motivate, retain and stimulate the most important members of the management team by aligning their interests with delivery of the company's strategic objectives during the next five years.

Please refer for a bigger detail to Notes 26. Employee benefit expense and 34. Related-party transactions, of the Consolidated Annual Accounts for the year ended 31 December 2018.

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6. We are driven by good governance

6.3. Business ethics

[102-16, 102-17, 102-25, 102-33, 102-34, 103-1, 103-2, 103-3, 205-2, 205-3, 406-1]



WE MAKE SURE OUR CORPORATE VALUES ARE UPHELD

CIE Automotive builds ethical conduct and the effective implementation of its corporate values into all of its activities by means of a body of internal rules and regulations, most important among which its Internal Code of Professional Conduct, enacted by means of a series of corporate policies.

The Code of Conduct, approved in December 2015, is intended to guide the actions of all of the directors, executives, employees and factory workers. Failure to comply with it is penalised.

CIE AUTOMOTIVE'S RULES OF CONDUCT

- Lawfulness.
- Transparency, integrity and confidentiality with respect to information.
- Compliance with tax obligations and the proper use of public funds.
- Correct engagement with the various stakeholders.
- Protection of workplace health and safety.
- Repudiation of any form of corrupt or fraudulent behaviour.
- Loyalty and transparency in the event of conflicts of interest.
- Respect for intellectual and industrial property rights.
- Protection of personal data.

CORPORATE POLICIES

This Code of Conduct acts as an umbrella for a series of corporate policies, approved at the board level and binding upon all members of the organisation, including the Anti-Corruption and Anti-Fraud Policy and the Human Rights Policy.

More information about the corporate policies.

Responsibility for oversight of due compliance with the Code of Conduct and the various emanating corporate policies is vested in the Corporate Social Responsibility Committee, which reports to the Board of Directors. This committee in turn delegates the task of overseeing compliance with the law in all of the Group's operating markets and with the body of ethics rules created by CIE Automotive in the Compliance Department.

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WHISTLE-BLOWING CHANNEL [406-1]

In order to guarantee compliance with the Code of Conduct, CIE Automotive gives all of the people forming part of the organisation the opportunity to make ethics enquiries and notify unusual activity or breaches of the Company's rules of ethics, integrity or conduct by means of a whistle-blowing channel which can be accessed by e-mail, post or internet:

- Whistle-blowing channel e-mail inbox: whistleblowerchannel@cieautomotive.com
- Postal correspondence addressed to the Compliance Department: Alameda de Mazarredo 69, 8th floor. 48009 Bilbao (Bizkaia), Spain.
- Information and communication channel on the intranet and on the corporate website.

Whistle-blower anonymity is duly guaranteed. In 2018, CIE Automotive received 16 complaints through this channel. In all instances, the opportune actions were taken to analyse, monitor and remedy or close the cases. The complaints were mainly related with instances of workplace harassment, a lack of professional ethics and management problems. There have been no complaints for corruption, discrimination neither for human rights violations.

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6. We are driven by good governance

6.4. Risk management [102-15, 102-29, 102-30, 205-2]



WE ARE READY FOR A CHANGING ENVIRONMENT

CIE Automotive has an Enterprise Risk Management system (ERM) in order to identify, assess, monitor and reduce to tolerable levels the risks that could jeopardise delivery of CIE Automotive's objectives and create uncertainty in the market. The ERM is framed by the corporate Risk Management and Control Policy*, which is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee.*

CIE Automotive's ERM provides it with reasonable assurance that all significant risks - strategic, operational, financial/reporting (refer to the Internal Control over Financial Reporting (ICFR) Policy) and ESG risks - are prevented, identified, evaluated and monitored continuously. Those risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

Underpinned by strong and sustained commitment on the part of the Company's senior executives and management team, coupled with robust strategic planning, the goal is to create a controlled risk environment in which risks are actively managed; the premise is that adequate risk will create value and give rise to new opportunities.

The ERM is based on the following main principles:

- Creation of a constructive vision of the concept of risk.
- Committed and competent risk management professionals.
- Use of a shared language.
- Transparent communication throughout the entire organisation.

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RISK MAP

Each year, the company's senior executives and management team are responsible for evaluating the risks identified in the ERM and drawing up the risk map for the entire organisation:

- From the standpoint of residual risk: considering the controls already in place at CIE Automotive in order to mitigate the potential impact of their materialisation;
- Based on the probability of occurrence (past and future) and impact (along three dimensions: economic, organisational and reputational). The probability of occurrence is measured as follows:
  - **High:** Materialisation of the risk would affect the organisation imminently (in the short term).
  - **Medium:** Materialisation of the risk would affect the organisation within two to five years' time (medium term).
  - **Low:** Materialisation of the risk would affect the organisation in more than five years' time (long term).

This process is coordinated by the Compliance Department which presents the results of this annual exercise to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports its approval to the Board of Directors.

The result of the risk assessment exercise undertaken in 2018 evidences the alignment between the risk map and the company's strategy and the effectiveness of the internal control system, as none of the key risks identified, including corruption and fraud related risks, materialised during the year.

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RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND SIGNIFICANT POTENTIAL IMPACT:

Management of M&A-led growth:

In keeping with the Business Plan, the current pace of organisational growth implies adapting the management model. To this end, CIE Automotive is working hard to embed its business model and corporate culture at newly acquired companies.

Human skills to enable CIE Automotive's growth:

Management of the current pace of growth requires consolidation and development of its top asset, its people. To this end, the working conditions of the existing team have been improved and those conditions are in turn proving effective in attracting new talent to the organisation.

Compliance with the Code of Conduct:

Related with the above risks, large-scale growth poses the risk of failure to comply with the organisation's rules of conduct, if not managed properly. For that reason, it is increasingly important to correctly distribute the Code of Conduct and provide related training.

Change in market trends:

The automotive market is exposed to abrupt changes for which the organisation must be ready. Emerging trends include new technologies (e.g., electric vehicles and evolution of the diesel engine) and the advent of Industry 4.0. CIE Automotive needs to remain flexible and anticipate new trends.

Cybersecurity:

A security failure in the IT systems would have immediate repercussions for the entire firm and affect its ability to function normally. Regulations are being tightened, such as the new General Data Protection Regulation which came into effect in May 2018, and the penalties for potential breaches are significant enough to have a material adverse impact on the company's earnings. As a result, CIE Automotive is working hard to fine-tune its IT systems and provide continuous training to system users in order to prevent materialisation to the extent possible.

RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND LOW POTENTIAL IMPACT:

Succession plan for key management personnel and Training and promotion policy:

The organisation believes it is necessary to increase the number of professionals familiar with the 'CIE culture' in order to support the company's continuous growth, to which end it has been working decisively in recent years on identifying its stock of high-potential professionals with a view to ensuring generational renewal and ongoing business development.

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RISKS WITH LOW PROBABILITY OF OCCURRENCE AND SIGNIFICANT POTENTIAL IMPACT:

Reputation risk:

Stakeholder relations could be affected by adverse comments in any media with the potential to significantly impact the intangible asset that is none other than the image and credibility built up as a result of its track record and good corporate citizenship. Against this backdrop, CIE Automotive has reinforced its marketing and communication strategy and bolstered the channels for communicating openly with its stakeholders in order to mitigate and/or eliminate the risk associated with not being able to respond immediately and categorically to potential accusations.

Response and monitoring plans for CIE Automotive's key risk factors

People, the organisation's future

In recent years, the lack of a succession plan for key management personnel and a shortfall of human resources to tackle CIE Automotive's growth, organic and M&A-driven, coupled with a deficit of training and candidates for promotion, have emerged among the key risks facing the company.

To reduce and minimise these risks, the corporate HR Department, in collaboration with senior management and in coordination with the various geographic units, have set in motion a project encompassing the following initiatives:

- Annual hiring plans targeted at new graduates with personalised follow-up by each Business Unit.
- Tailored plans for monitoring high-potential employees.
- General and tailored training plans. The number of training hours provided has been rising steadily in recent years, reaching 34.1 hours annually per employee in 2018.
- Succession plans for key positions. The key positions for delivery of CIE Automotive's strategic objectives have been identified and successors or strategies have been matched to each to ensure that the organisation would not be affected if any of them were to leave unexpectedly.
- Career development programme for executives and middle managers at each Business Unit.

(For more information, go to Section 5.3 Team)

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Compliance with the Code of Conduct

In 2016 and 2017, the organisation completed the process of distributing the Code of Conduct globally and having it acknowledged by all employees; in 2018 it took advantage of the global deployment of its CSR Workshops to reiterate the importance of compliance, reminding employees that CIE Automotive has a whistle-blowing channel that is jointly managed by the HR, Compliance and Legal Affairs Departments and permits any group employee to present complaints about matters related to code breaches.

(For more information, go to Section 3.3 Stakeholder relations, specifically the section on the Global rollout of the CSR Workshops)

Change in market trends

The automotive sector is exposed to disruptive changes for which CIE Automotive must be prepared. The organisation is working on maintaining a flexible mindset with respect to new trends and on readiness to adapt for customers' existing or future needs.

(For more information, go to Section 4.2 2016-2020 Business Plan)

Cybersecurity

Cybersecurity, understood as protection of IT assets by handling threats that could jeopardise the information that is processed, stored and distributed over interconnected IT systems, has emerged as one of the biggest risks facing companies today.

In 2018, CIE Automotive embarked on a project to protect those assets using process re-engineering and social engineering based on benchmark international standards with the aim of managing IT security in real time and ensuring the traceability of all security management processes.

(For more information, go to Section 5.2 Customers)

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CYBERSECURITY LINES OF INITIATIVE

SECURITY OPERATIONS CENTRE (SOC)	• Validation of and recommendations for security policies to be implemented. • 24x7 service monitoring. • Early detection of alerts. • Security incident monitoring. • Compliance support • Performance of audits to verify security status. • Control of user conduct that violates the good practices manual.
SECURITY INFORMATION AND EVENT MANAGEMENT (SIEM)	• Critical Event Detection: Platform for detecting high-risk events in corporate environments: successful aversion of the security systems in place such as malicious e-mails that reach employee and VIP mailboxes and malware introduced via USB or other compromised corporate devices. • Cyber Threat Intelligence: aggregation and analysis of information from a multitude of sources to generate intelligence with respect to the information generated by the IT infrastructure and enable the detection of high-risk events in corporate networks. There is scope for integration with existing security tools in order to execute mitigating actions in real time
INCIDENT RESPONSE SERVICE	• Incident management service triggered by significant crises.

CIE Automotive also has a procedure for systematically assessing and prioritising risks at the manufacturing plant level which has been implemented globally. That effort involves the full management team at each productive facility and follows the process map, defining for each facility the types of risks to which they are exposed and evaluating them as a function of their probability of occurrence and impact were they to materialise; in short, establishing a risk priority schedule. Minimisation or even elimination, to the extent feasible, thus becomes just another objective to be considered within each facility's management plan.

In addition, the factories already undertake various risk analysis exercises using tools such as:

- FMEA (Failure Modes and Effects Analysis) with respect to products and productive processes.
- Identification and evaluation of environmental impacts.
- Assessment of workplace health and safety risks.
- Legal compliance assessments.
- SWOT analysis.

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CRIMINAL RISK PREVENTION MODEL

In 2018, CIE Automotive consolidated the Corporate Crime Prevention Model approved in 2015. The SAP GRC suite is being used to ensure the model is working as intended. Moreover, there is a **Support Unit** with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Corporate Crime Prevention Model.

The company relies on this model as a measure to combat money laundering, in addition to training in the Code of Conduct and the application of the corporate policies.

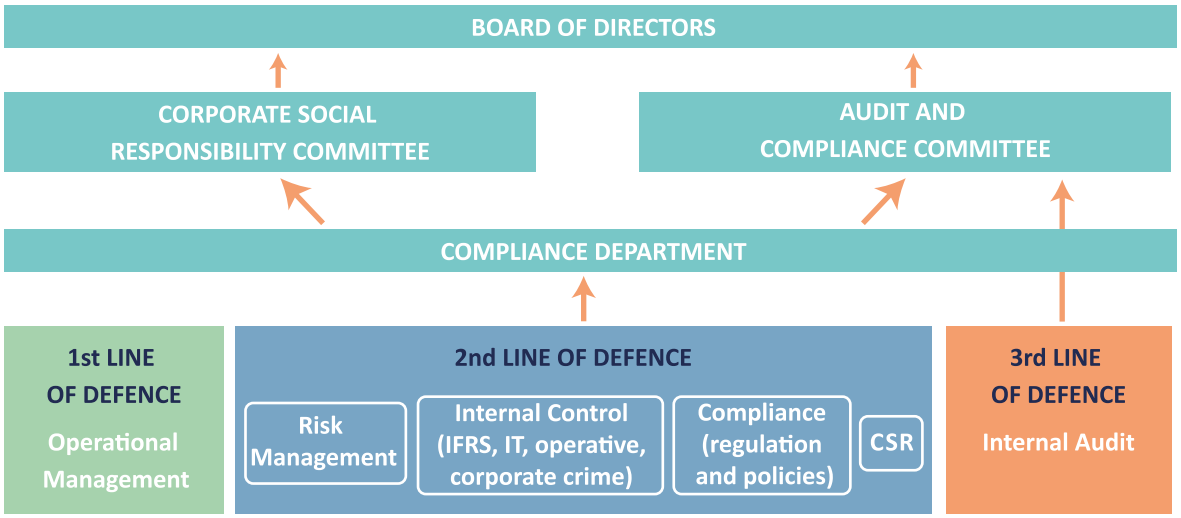
IMPROVING INDICATORS

As established in its 2016-2020 Business Plan, CIE Automotive is working to specify risk identifiers. These indicators not only address financial reporting (ICFR) risks but also compliance risks related to criminal, tax and other legislation, strategic risks and ESG risks.

Supervision and control of these indicators is performed using the SAP GRC Risk Management module.

INTERNAL CONTROL SYSTEM

CIE Automotive's internal control system is based on the three lines of defence model:



The Compliance Department is responsible for continuously reviewing and updating the internal control system and ensuring compliance with external regulations and with the policies and procedures in place for mitigating the main legal, corruption and fraud risks. It is also in charge of the Corporate Crime Prevention Model and establishing and developing CIE Automotive's ethics framework.

(For more information, go to Section 6.3 Business ethics)

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«At year-end 2018, thanks to the SAP GRC, all CIE Automotive factories were monitoring due performance of their internal controls.»

As of 31 December 2018, all CIE Automotive factories were using an IT tool for ensuring performance of the internal controls. That tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability.

Thanks to this procedure, CIE Automotive is supervising compliance with more than 70 financial reporting (ICFR) controls per facility, over half of which automatically.

Elsewhere, the Internal Audit Department, as part of its annual plan, which is approved by the Audit and Compliance Committee, reviews the internal control system enabled by the SAP GRC tool and assesses all of the operational controls and risks related to the processes included in CIE Automotive's process map with the aim of enhancing the effectiveness and efficiency of those controls.

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7.1 Methodology

[102-46, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54]

This document constitutes the Non-Financial Information Statement and forms part of the Director's Report. It responds to the requirements that the Act 11/2018 imposes on art. 49.5 CCom, as shown in the table of traceability of contents of the document with the requirements of the Law, which is shown in section 7.5 of this document.

The document provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, social, environmental and governance dimensions over the course of the reporting period across the 17 countries in which it operates.

To correctly interpret the economic and financial data contained in this report, the reader should recall that CIE Automotive divested from Dominion in July 2018 (a transaction that is described in the report and obliged the restatement of the 2017 financial statements in order to facilitate a like-for-like comparison).

The non-financial information, which is independently assured, is presented following the GRI Guidelines published in 2016, an updated version of the G4 Guidelines (with a 'Core' 'in-accordance' option). The drafting of the report also took into consideration compliance with the principles established in the AA1000 AccountAbility Principles Standard (2008).

To round out the information about the group's activities throughout the year, a number of other statutory reports are available for download on the

Annual Financial Statements, Annual Corporate Governance Report and Annual Report on Board Remuneration, along with all of the presentations published about different aspects of the group. Some of this information is included in the sections devoted to specific stakeholder groups.

INFORMATION FLOWS AND DEPARTMENTS INVOLVED

This annual report is the result of the work of everyone at CIE Automotive. Input and oversight was provided by all the heads of the organisation's various departments and areas.

The Compliance Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group CSR Committee and

HOW THE REPORT WAS PREPARED

In preparing this report and identifying the vital topics to be addressed in it, CIE Automotive started from the materiality assessment conducted with its stakeholders in 2017 and the surveys of 140 of the organisation's executives from Brazil, the US, Mexico, India and China during the CSR Workshops held in 2018.

Throughout the entire process of collecting and presenting its information, CIE Automotive bears in mind the principles of transparency, materiality, comparability, timeliness, clarity and reliability needed to assure the quality of the information reported.

The assurance exercise was undertaken by the independent consultancy firm PricewaterhouseCoopers, the same entity that audits the group's financial statements. The Audit and Compliance Committee is tasked with ensuring its independence.

The techniques used to measure and calculate the data provided, along with any estimates made, are explained in the corresponding tables or chapters of the report as necessary to facilitate reader comprehension.

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7.2. Contact data

[102-1,102-2, 102-3, 102-5, 102-20, 102-53]

Registered name	CIE Automotive S.A.
Registered office	Alameda Mazarredo, 69 - 8º 48009 Bilbao
Telephone number:	Spain: +34 946 054 835
Website	www.cieautomotive.com
Share capital	€32,250,000
No. of shares	129,000,000
Par value	€0.25/share
Business activity	Manufacture of automotive components.
Markets	CIE Automotive is present in 17 countries and its shares are listed on the Bilbao, Madrid and Bombay stock exchanges.

DEDICATED CHANNELS FOR EACH STAKEHOLDER GROUP:

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7.3. Sustainable Development Goals

As a member of the United Nations Global Compact, CIE Automotive has pledged to contribute to the delivery of the 2030 Agenda for Sustainable Development approved by the UN in 2015. To this end, it has incorporated the Sustainable Development Goals into its business strategy.



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In line with its business activities, CIE Automotive focuses its efforts on meeting seven of the SDGs (2, 3, 4, 8, 9, 12, 17). It provides an account of its progress on those goals in this report:



2. ZERO HUNGER

End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

5.8 Community



3. HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

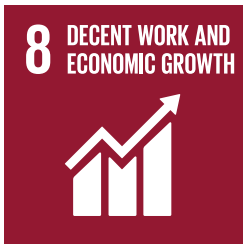
5.3 The team



4. QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5.8 Community



8. DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

5.3 The team



9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

5.5 Innovation and technology



12. RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

3. We are guided by our Identity
5.1 CSR Management
5.7 Environmental disclosures



17. PARTNERSHIPS TO DELIVER GOALS

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

5.1 CSR Management
5.5 Innovation and technology
5.8 Community

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7.4. GRI Standard Content Index [102-55]

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General disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-1 Name of the organization	Yes	7.2. Contact data	-	144
102-2 Activities, brands, products and services	Yes	3.2. Business model 5.3 The team 5.5 Innovation and technology 7.2. Contact data	Multi-technology Career development - -	30 72 83 144
102-3 Location of headquarters	Yes	7.2. Contact data	-	144
102-4 Location of operations	Yes	3.2. Business model	Multiple locations	26, 27
102-5 Ownership and legal form	Yes	7.2. Contact data	-	144
102-6 Markets served	Yes	3.2. Business model	-	26
102-7 Scale of the organization	Yes	2.1 2018 in review 5.3 The team	Performance by region -	10 61
102-8 Information on employees and other workers	Yes	5.3 The team 5.3 The team	Information on employees Decent work	63 64
102-9 Supply chain	Yes	5.6 Suppliers	-	87
102-10 Significant changes to the organization and its supply chain	Yes	2.1 2018 in review 5.6 Suppliers	Capex and acquisition -	9 87
102-11 Precautionary Principle or approach	Yes	5.7 Environmental management	-	98
102-12 External initiatives	Yes	5.1 CSR management	-	52
102-13 Membership of associations	Yes	5.8 Community	Institutional relations	109, 115

MAJOR THEMES: STRATEGY

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-14 Statement from senior decision-maker	Yes	1. Chairman and CEO's statement	-	3
102-15 Key impacts, risks and opportunities	Yes	6.4. Risk management	-	134

MAJOR THEMES: ETHICS AND INTEGRITY

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-16 Values, principles, standards and norms of behavior	Yes	3.1. Mission, vision and values 6.3. Business ethics	- -	24 132
102-17 Mechanisms for advice and concerns about ethics	Yes	3.3. Stakeholder engagement 6.3. Business ethics	- -	32 132

MAJOR THEMES: GOVERNANCE

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-18 Governance structure	Yes	5.1 CSR management 6.2. Governance bodies	Policy and how it works Board of Directors	52 122
102-19 Delegating authority	Yes	5.1 CSR management	Policy and how it works	54
102-20 Executive-level responsibility for economic, environmental and social topics	Yes	5.1 CSR management 7.2. Contact data	Policy and how it works -	54 144
102-21 Consulting stakeholders on economic, environmental and social topics	Yes	3.3. Stakeholder engagement	Materiality assessment	34

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General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-22 Composition of the highest governance body and its committees	Yes	6.2. Governance bodies	Board of Directors	122
102-23 Chair of the highest governance body	Yes	6.2. Governance bodies	Board of Directors	122
102-24 Nominating and selecting the highest governance body	Yes	6.2. Governance bodies	Board of Directors	122
102-25 Conflicts of interest	Yes	6.2. Governance bodies 6.3. Business ethics	Conflicts of interest -	129 132
102-26 Role of highest governance body in setting purpose, values and strategy	Yes	6.2. Governance bodies	Board of Directors	122
102-27 Collective knowledge of highest governance body	Yes	5.1 CSR management 6.2. Governance bodies	Policy and how it works Board of Directors	54 122
102-28 Evaluating the highest governance body's performance	Yes	6.2. Governance bodies	Director performance evaluation	129
102-29 Identifying and managing economic, environmental and social impacts	Yes	6.4. Risk management	-	134
102-30 Effectiveness of risk management processes	Yes	6.4. Risk management	-	134
102-31 Review of economic, environmental and social topics	Yes	3.3. Stakeholder engagement 5.1 CSR management	Materiality assessment	34 52
102-32 Highest governance body's role in sustainability reporting	Yes	5.1 CSR management	Policy and how it works	54
102-33 Communicating critical concerns	Yes	6.3. Business ethics	-	132
102-34 Nature and total number of critical concerns	Yes	6.3. Business ethics	-	132

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MAJOR THEMES: GOVERNANCE

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-35 Remuneration policies	Yes	6.2. Governance bodies	Director Remuneration Policy	131
102-36 Process for determining remuneration	Yes	6.2. Governance bodies	Director Remuneration Policy	131
102-37 Stakeholders' involvement in remuneration	Yes	6.1 Corporate governance principles 6.2. Governance bodies	2018 AGM resolutions Director Remuneration Policy	121 131

MAJOR THEMES: STAKEHOLDER ENGAGEMENT

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-40 List of stakeholder groups	Yes	3.3. Stakeholder engagement	-	32
102-41 Collective bargaining agreements	Yes	5.3 The team	Collective bargaining	61, 71
102-42 Identifying and selecting stakeholders	Yes	3.3. Stakeholder engagement	-	32
102-43 Approach to stakeholder engagement	Yes	3.3. Stakeholder engagement	-	32
102-44 Key topics and concerns raised	Yes	3.3. Stakeholder engagement	Materiality assessment	34

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MAJOR THEMES: REPORTING PRACTICE

General Disclosure

GRI disclosure	External Assurance	Section	Subsection	Page
102-45 Entities included in the consolidated financial statements	Yes	3.2. Business model	Multiple locations	27
102-46 Defining report content and topic Boundaries	Yes	3.3. Stakeholder engagement 7.1. Methodology	Materiality assessment -	34 143
102-47 List of material topics	Yes	3.3. Stakeholder engagement	Materiality assessment	34
102-48 Restatements of information	Yes	7.1. Methodology	-	143
102-49 Changes in reporting	Yes	7.1. Methodology	-	143
102-50 Reporting period	Yes	7.1. Methodology	-	143
102-51 Date of most recent report	Yes	7.1. Methodology	-	143
102-52 Reporting cycle	Yes	7.1. Methodology	-	143
102-53 Contact point for questions regarding the report	Yes	7.2. Contact data	-	144
102-54 Claims of reporting in accordance with the GRI Standards	Yes	7.1. Methodology	-	143
102-55 GRI content index	Yes	7.4. GRI content index	-	147
102-56 External assurance	Yes	7.6 External assurance	-	189

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MAJOR THEMES: ECONOMIC DIMENSION

Economic Performance

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	2.1 2018 in review 5.3 The team 5.8 Community	- - -	7 61 109
103-2 The management approach and its components	Yes	2.1 2018 in review 5.3 The team 5.8 Community	- - -	7 61 109
103-3 Evaluation of the management approach	Yes	2.1 2018 in review 5.3 The team 5.8 Community	- - -	7 61 109
201-1 Direct economic value generated and distributed	Yes	2.1 2018 in review 5.6 Supplier 5.8 Community	Value generated and distributed - Value generated and distributed	15 87 110
201-3 Defined benefit plan obligations and other retirement plans	Yes	5.3 The team	Obligations to employees	68
201-4 Financial assistance received from government	Yes	2.1 2018 in review	Tax information	14

Market Presence

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.1 CSR management 5.3 The team	- -	52 61
103-2 The management approach and its components	Yes	5.1 CSR management 5.3 The team	- -	52 61
103-3 Evaluation of the management approach	Yes	5.1 CSR management 5.3 The team	- -	52 61
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Yes	5.3 The team	- Decent work Zero tolerance of discrimination	61 64 70
202-2 Proportion of senior management hired from the local community	Yes	5.3 The team	Decent work	64

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MAJOR THEMES: ECONOMIC DIMENSION

Indirect Economic Impacts

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.8 Community	-	109
103-2 The management approach and its components	Yes	5.8 Community	-	109
103-3 Evaluation of the management approach	Yes	5.8 Community	-	109
203-2 Significant indirect economic impacts	Yes	5.8 Community	-	109

Procurement Practices

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.6 Suppliers	Supply chain management	96
103-2 The management approach and its components	Yes	5.6 Suppliers	Supply chain management	96
103-3 Evaluation of the management approach	Yes	5.6 Suppliers	Supply chain management	96
204-1 Proportion of spending on local suppliers	Yes	5.6 Suppliers	Supply chain management	96

Anti-corruption

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132
103-2 The management approach and its components	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132

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MAJOR THEMES: ECONOMIC DIMENSION

Anti-corruption

GRI disclosure	External Assurance	Section	Subsection	Page
103-3 Evaluation of the management approach	Yes	5.1 CSR management 6.3. Business ethics	- -	52 132
205-2 Communication and training about anti-corruption policies and procedures	Yes	3.3 Stakeholder engagement 6.3. Business ethics 6.4. Risk management	Global roll out of the CSR Workshops - Criminal risk prevention model	35 132 134
205-3 Confirmed incidents of corruption and actions taken	Yes	6.3. Business ethics	-	132

MAJOR THEMES: ENVIRONMENTAL DIMENSION

Materials

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Consumption of water and material resources	99
103-2 The management approach and its components	Yes	5.7 Environmental management	Consumption of water and material resources	99
103-3 Evaluation of the management approach	Yes	5.7 Environmental management	Consumption of water and material resources	99
301-1 Materials used by weight or volume	Yes	5.7 Environmental management	Consumption of water and material resources	99, 101
301-2 Recycled input materials used	Yes	5.7 Environmental management	Consumption of water and material resources	99, 101

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MAJOR THEMES: ENVIRONMENTAL DIMENSION

Energy

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Energy efficiency and emissions	104
103-2 The management approach and its components	Yes	5.7 Environmental management	Energy efficiency and emissions	104
103-3 Evaluation of the management approach	Yes	5.7 Environmental management	Energy efficiency and emissions	104
302-1 Energy consumption within the organization	Yes	5.7 Environmental management	Energy efficiency and emissions	104
302-3 Energy intensity	Yes	5.7 Environmental management	Energy efficiency and emissions	104

Water

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Consumption of water and material resources	99
103-2 The management approach and its components	Yes	5.7 Environmental management	Consumption of water and material resources	99
103-3 Evaluation of the management approach	Yes	5.7 Environmental management	Consumption of water and material resources	99
303-1 Water withdrawal by source	Yes	5.7 Environmental management	Consumption of water and material resources	99, 100

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MAJOR THEMES: ENVIRONMENTAL DIMENSION

Emissions

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.7 Environmental management	Energy efficiency and emissions	104
103-2 The management approach and its components	Yes	5.7 Environmental management	Energy efficiency and emissions	104
103-3 Evaluation of the management approach	Yes	5.7 Environmental management	Energy efficiency and emissions	104
305-1 Direct (Scope 1) GHG emissions	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 106
305-2 Energy indirect (Scope 2) GHG emissions	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 106
305-4 GHG emissions intensity	Yes	5.7 Environmental management	Energy efficiency and emissions	104, 108

Effluents and waste

306-2 Waste by type and disposal method	Yes	5.7 Environmental management	Waste management	102, 103

Environmental Compliance

103-1 Explanation of the material topic and its boundary	Yes	5.7 Environmental management	-	98
103-2 The management approach and its components	Yes	5.7 Environmental management	-	98
103-3 Evaluation of the management approach	Yes	5.7 Environmental management	-	98
307-1 Non-compliance with environmental laws and regulations	Yes	5.2 Customers 5.7 Environmental management	Total quality Non-compliance with environmental laws and regulations	58 108

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MAJOR THEMES: ENVIRONMENTAL DIMENSION

Supplier Environmental Assessment

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.6 Suppliers	Supplier certification	89
103-2 The management approach and its components	Yes	5.6 Suppliers	Supplier certification	89
103-3 Evaluation of the management approach	Yes	5.6 Suppliers	Supplier certification	89
308-1 New suppliers that were screened using environmental criteria	Yes	5.6 Suppliers	Supplier certification	89

MAJOR THEMES: SOCIAL DIMENSION

Employment

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
103-2 The management approach and its components	Yes	5.3 The team	-	61
103-3 Evaluation of the management approach	Yes	5.3 The team	-	61
401-1 New employee hires and employee turnover	Yes	5.3 The team	Information on employees	63
401-3 Parental leave	Yes	5.3 The team	Decent work	64

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MAJOR THEMES: SOCIAL DIMENSION

Labor management relations

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	Collective bargaining	71
103-2 The management approach and its components	Yes	5.3 The team	Collective bargaining	71
103-3 Evaluation of the management approach	Yes	5.3 The team	Collective bargaining	71
402-1 Minimum notice periods regarding operational changes	Yes	5.3 The team	Collective bargaining	71

Occupational Health and Safety

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
103-2 The management approach and its components	Yes	5.3 The team	-	61
103-3 Evaluation of the management approach	Yes	5.3 The team	-	61
403-1 Workers representation in formal joint management–worker health and safety committees	Yes	5.3 The team	Collective bargaining	71
403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Yes	5.3 The team	Absenteeism by region Health and safety Accidents	65 75 76
403-3 Workers with high incidence or high risk of diseases related to their occupation	Yes	5.3 The team	Health and safety Accidents	75 76
403-4 Health and safety topics covered in formal agreements with trade unions	Yes	5.3 The team	Collective bargaining	71

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MAJOR THEMES: SOCIAL DIMENSION

Training and Education

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	Job training	73
103-2 The management approach and its components	Yes	5.3 The team	Job training	73
103-3 Evaluation of the management approach	Yes	5.3 The team	Job training	73
404-1 Average hours of training per year per employee	Yes	5.3 The team	Job training	73
404-2 Programs for upgrading employee skills and transition assistance programs	Yes	5.3 The team	Career development Job training	75 73
404-3 Workers with high incidence or high risk of diseases related to their occupation	Yes	5.3 The team	Decent work	64

Diversity and Equal Opportunity

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	-	61
103-2 The management approach and its components	Yes	5.3 The team	-	61
103-3 Evaluation of the management approach	Yes	5.3 The team	-	61
405-1 Diversity of governance bodies and employees	Yes	5.3 The team 5.3 The team 6.2. Governance bodies	Employment at CIE Automotive Zero tolerance of discrimination Board of Directors	62 70 122
405-2 Ratio of basic salary and remuneration of women to men	Yes	5.3 The team	Zero tolerance of discrimination	70

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MAJOR THEMES: SOCIAL DIMENSION

Non-discrimination

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	6.3. Business ethics	-	132
103-2 The management approach and its components	Yes	6.3. Business ethics	-	132
103-3 Evaluation of the management approach	Yes	6.3. Business ethics	-	132
406-1 Incidents of discrimination and corrective actions taken	Yes	6.3. Business ethics	-	132

Freedom of association and Collective Bargaining

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team	Collective bargaining	71
103-2 The management approach and its components	Yes	5.3 The team	Collective bargaining	71
103-3 Evaluation of the management approach	Yes	5.3 The team	Collective bargaining	71
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Yes	5.3 The team	Collective bargaining	71

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MAJOR THEMES: SOCIAL DIMENSION

Child Labor

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
103-2 The management approach and its components	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
103-3 Evaluation of the management approach	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
408-1 Operations and suppliers at significant risk for incidents of child labor	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92

Forced or Compulsory Labor

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
103-2 The management approach and its components	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
103-3 Evaluation of the management approach	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Yes	5.3 The team 5.6 Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92

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MAJOR THEMES: SOCIAL DIMENSION

Human Rights Assessmen

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.3 The team 5.1 CSR management	- -	61 52
103-2 The management approach and its components	Yes	5.3 The team 5.1 CSR management	- -	61 52
103-3 Evaluation of the management approach	Yes	5.3 The team 5.1 CSR management	- -	61 52
412-1 Operations that have been subject to human rights reviews or impact assessments	Yes	5.3 The team	- Zero tolerance stance on child and forced labour	61 71
412-2 Employee training on human rights policies or procedures	Yes	5.1 CSR management 5.3 The team	- Job training	52 73

Local Communities

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.8 Community	-	109
103-2 The management approach and its components	Yes	5.8 Community	-	109
103-3 Evaluation of the management approach	Yes	5.8 Community	-	109
413-1 Operations with local community engagement, impact assessments and development programs	Yes	5.8 Community	-	109

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MAJOR THEMES: SOCIAL DIMENSION

Supplier Social Assessment

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.6 Suppliers	-	87
103-2 The management approach and its components	Yes	5.6 Suppliers	-	87
103-3 Evaluation of the management approach	Yes	5.6 Suppliers	-	87
414-1 New suppliers that were screened using social criteria	Yes	5.6 Suppliers	Standardised and objective selection CSR in the supply chain	88 92

Public Policy

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	5.8 Community	Institutional relations	115
103-2 The management approach and its components	Yes	5.8 Community	Institutional relations	115
103-3 Evaluation of the management approach	Yes	5.8 Community	Institutional relations	115
415-1 Political contributions	Yes	5.8 Community	- Institutional relations	109 115

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TEMA MATERIAL: DIMENSIÓN SOCIAL

Socioeconomic Compliance

GRI disclosure	External Assurance	Section	Subsection	Page
103-1 Explanation of the material topic and its boundary	Yes	6.1. Corporate governance principles	-	118
103-2 The management approach and its components	Yes	6.1. Corporate governance principles	-	118
103-3 Evaluation of the management approach	Yes	6.1. Corporate governance principles	-	118
419-1 Non-compliance with laws and regulations in the social and economic area	Yes	6.1. Corporate governance principles	-	118

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7.5 Non-financial statement - Compliance traceability table - GRI

ASPECT: BUSINESS MODEL

Contents: Brief description of the undertaking's business model, including disclosures related to: their business environment; their organisation and structure; the markets where their operate; their objectives and strategies; the main trends and factors that may affect their future development.

GRI standard	Section	Subsection	Page	Comments
102-1	7.2. Contact data	-	144	-
102-2	3.2. Business model 5.3 The team 5.5. Innovation and technology 7.2. Contact data	Multi-technology Career development - -	30 72 83 144	-
102-3	7.2. Contact data	-	144	-
102-4	3.2. Business model	Multiple locations	26, 27	-
102-6	3.2. Business model	-	26	-
102-7	2.1 2018 in review 5.3 The team	Performance by region -	10 61	-
102-14	1. Chairman and CEO's statement	-	3	-

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ASPECT: POLICIES

Contents: A description of the policies pursued by the undertaking in relation to those matters, including:

1) the due diligence processes implemented in order to identify, evaluate, prevent and mitigate significant risks and adverse impacts.
2) monitoring and control processes, including controls over which measures have been taken.

GRI standard	Section	Subsection	Page	
103	3.1. Mission, vision and values	-	24	-
	3.3 Stakeholder engagement	-	32	
	5.3 The team	-	61	
	5.6. Suppliers	-	87	
	5.8 Community	-	109	
	6.3. Business ethics	-	132	

ASPECT: SHORT-, MEDIUM- AND LONG-TERM RISKS

Contents: The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and:

1) how the undertaking **manages** those risks,
2) explaining the **processes used to identify and assess those risks**, using broadly recognised national, EU-based or international frameworks for each issue.
3)Reporters must include **information about any impacts identified,** providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.

GRI standard	Section	Subsection	Page	Comments
102-15	6.4. Risk management	-	134	-
102-30	6.4. Risk management	-	134	-
413-1	5.8 Community	-	109	-
407-1	5.3 The team	Collective bargaining	71	-
408-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-
409-1	5.3 The team	Zero tolerance stance on child and forced labour	71	-
	5.6. Suppliers	CSR in the supply chain	92	-

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ASPECT: KPIS

Contents: Non-financial key performance indicators relevant to the undertaking's particular business that are comparable, useful, relevant and consistent.

1) In order to facilitate comparability of non-financial disclosures, over time and among undertakings, reporters should rely particularly on non-financial KPIs that that are generally applicable and meet the European Commission's guidelines in this respect and specifically **the Global Reporting Initiative standard.** Reporters should specify which national, EU-based or international reporting framework they rely on in each instance.
2) **Undertakings must provide relevant key performance indicators for each section of their non-financial statements.**
3) These indicators should be useful taking into account their specific circumstances. The KPIs should be consistent with metrics actually used by the group in its internal management and risk assessment processes.
4) Regardless, the information provided should be accurate, comparable and verifiable.

GRI standard	Section	Subsection	Page	Comments
102-54	7.1. Methodology	-	143	-

ASPECT: ENVIRONMENTAL MATTERS

Contents: Environment | Overall

1) Detailed information about **the current and foreseeable impacts of the undertaking's activities on the environment** and, as appropriate, on health and safety, and environmental assessment and certification processes.
2) The **resources dedicated to preventing environmental risks.**
3) Application of the **principle of prevention, the amount of provisions and guarantees for environmental risks.**

GRI standard	Section	Subsection	Page	Comments
103	5.2 Customers 5.7. Environmental management	Global certification map -	58 98	-
102-11	5.7. Environmental management	-	98	-
308-1	5.6. Suppliers	Supplier certification	89	-

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Contents: Pollution

1) **Measures to prevent, reduce or repair the carbon emissions** that **seriously** impact the environment.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Energy efficiency and emissions	104	-

2) Taking into consideration any form of air pollution specific to the business, including noise and light pollution.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Light and noise pollution	108	-

Contents: Circular economy, prevention and waste management

1) **Circular economy.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Circular economy	102	-
301-2	5.7. Environmental management	Consumption of water and material resources	99, 101	-

2) **Waste:** Measures for the prevention, recycling, reuse and other forms of recovering and eliminating waste.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Waste management	102	-
306-2	5.7. Environmental management	Waste management	102, 103	-

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3) **Initiatives undertaken to eliminate food waste.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Waste management	102	-

Contents: Sustainable use of resources

1) Water **consumption** and supply, **in keeping with local limitations.**

GRI standard	Section	Subsection	Page	Comments
303-1	5.7. Environmental management	Consumption of water and material resources	99, 100	-

2) **Consumption of** raw materials and **measures taken to use them more efficiently.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Consumption of water and material resources	99	-
301-1	5.7. Environmental management	Consumption of water and material resources	99, 101	-
301-2	5.7. Environmental management	Consumption of water and material resources	99, 101	-

3) **Direct and indirect energy consumption, measures taken to enhance energy efficiency and use renewable sources.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Energy efficiency and emissions	104	-
302-1	5.7. Environmental management	Energy efficiency and emissions	104	-
302-3	5.7. Environmental management	Energy efficiency and emissions	104	-

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Contents: Climate change

1) The **important aspects of the greenhouse gas emissions generated** as a result of the undertaking's activity, including through use of the goods and services it produces.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change	99	-
305-1	5.7. Environmental management	Energy efficiency and emissions	104, 106	-
305-2	5.7. Environmental management	Energy efficiency and emissions	104, 106	-
305-4	5.7. Environmental management	Energy efficiency and emissions	104, 106	-

2) The **measures adopted** to **adapt for the consequences of climate change.**

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change Environmental offsetting Improving indicators	99 99 99	-

3) Any medium- and long-term GHG emission-cutting targets voluntarily adhered to and the measures implemented to that end.

GRI standard	Section	Subsection	Page	Comments
103	5.7. Environmental management	Climate change Environmental offsetting Improving indicators	99 99 99	-

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Contents: Biodiversity protection

1) **Measures** taken to **preserve or restore biodiversity.**

GRI standard	Section	Subsection	Page	Comments
103	-	-	-	CIE Automotive has all its facilities in urban environments or industrial parks, so it is considered that the impact on biodiversity is not significant. Therefore, this content is not considered material for the Group and related information is not included in this report.

2) **Impacts** caused by the undertaking's activities or operations on protected areas.

GRI standard	Section	Subsection	Page	Comments
304-2	-	-	-	CIE Automotive has all its facilities in urban environments or industrial parks, so it is considered that the impact on biodiversity is not significant. Therefore, this content is not considered material for the Group and related information is not included in this report.

ASPECT: SOCIAL AND EMPLOYEE MATTERS

Contents: Employment

1) **Total number** and breakdown of **employees by gender, age, country and job category.**

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	Employment at CIE Automotive	62	-
102-8	5.3 The team	Information on employees	63	-
405-1	5.3 The team 6.2. Governance bodies	Zero tolerance of discrimination Board of directors	70 122	-

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2) **Total number** and breakdown by contract category.

GRI standar	Section	Subsection	Page	Comments
102-8	5.3 The team	Decent work	64	-

3) **Average headcount during the year** by indefinite/temporary/part-time contracts by gender, age and job category.

GRI standar	Section	Subsection	Page	Comments
102-8	5.3 The team	Decent work	64	CIE Automotive's KPIs are basically geographically based, this is why the company provides the total of fixed/indefinite and temporary contracts by region and it does not offer them by gender, age, job category or contract type (FTE or part-time). However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.
405-1	5.3 The team 6.2. Governance bodies	Zero tolerance of discrimination Board of directors	70 122	

4) **Number of** dismissals by gender, age and job category.

GRI standar	Section	Subsection	Page	Comments
401-1	5.3 The team	Information on employees	63	CIE Automotive's KPIs are basically geographically based, this is why the company provides the total of dismissals by gender and region and it does not offer them by age or job category. However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

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5) Average salaries and trend broken down by gender, age, job category or equivalent metric.

GRI standar	Section	Subsection	Page	Comments
405-2	5.3 The team	Zero tolerance of discrimination	70	CIE Automotive's KPIS are basically geographically based, this is why the company provides the average salaries by gender and region and it does not offer them by age or job category. However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

6) **Wage gap,** remuneration per equivalent job or company average.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Gender pay gap	70	-

7) **Average remuneration for directors and executives**, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, **broken down by gender.**

GRI standar	Section	Subsection	Page	Comments
103	6.2. Governance bodies	Director Remuneration Policy	131	-
102-35	6.2. Governance bodies	Director Remuneration Policy	131	-

8) Implementation of policies regarding the **right to disconnect from work.**

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Emploee assistence measures	67	CIE Automotive does not currently have a policy regarding the right to disconnect from work. However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

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9) Employees with **disabilities.**

GRI standar	Section	Subsection	Page	Comments
405-1	5.3 The team	Employment at CIE Automotive Zero tolerance of discrimination	62 70	-

Contents: Organisation of work

1) Organisation of working hours.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Emploee assistence measures	67	-

2) **Absenteeism** in hours.

GRI standar	Section	Subsection	Page	Comments
403-2	5.3 The team	Absenteeism by region	65	-

3) **Measures** designed to facilitate work-life balance and sharing of caring responsibilities.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Emploee assistence measures	67	-

Contents: Workplace health and safety

1) Health and safety conditions in the workplace.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Health and safety	75	-

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403-4	5.3 The team	Collective bargaining	71	-

2) **Workplace accidents,** specifying frequency and severity and work-related illnesses, broken down by gender.

GRI standar	Section	Subsection	Page	Comments
403-2	5.3 The team	Health and safety Accidents	75 76	-
403-3	5.3 The team	Health and safety Accidents	75 76	-

Contents: Management-employee relations

1) How **management-employee dialogue** is organised, including procedures for informing and consulting employees and negotiating with them.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Collective bargaining	71	-
407-1	5.3 The team	Collective bargaining	71	-

2) Percentage of **employees covered by collective bargaining agreements** by country.

GRI standar	Section	Subsection	Page	Comments
102-41	5.3 The team	Collective bargaining	61, 71	-

3) **Assessment** of collective bargaining agreements, particularly with respect to workplace health and safety.

GRI standar	Section	Subsection	Page	Comments
403-1	5.3 The team	Collective bargaining	71	-

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Contents: Training

1) Training policies in place.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Career development	72	-

2) Total **training hours** by job category.

GRI standar	Section	Subsection	Page	Comments
404-1	5.3 The team	Job training	73	CIE Automotive's KPIS are based on the total of trained workers and on total training hours per trained worker, this is why the company does not offer the total number of training hours by job category. However, for the shake of transparency, the company is already working on the improvement of these indicators in order to provide information with all the breakdowns required by the Law.

Contents: Accessibility for persons with disabilities

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discrimination	70	-

Contents: Equality

1) **Measures taken** to foster equal treatment of and opportunities for men and women.
2) **Equality plans** (Chapter III of Organic Law 3/2007, of 22 March 2007, on effective gender equality), **measures taken to foster employment, anti-sexual/gender harassment protocols, integration of and accessibility for persons with disabilities.**
3) **Anti-discrimination policies** and diversity management policies.

GRI standar	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discriminatio	70	-

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ASPECT: HUMAN RIGHTS

Contents: Human rights due diligence procedures, processes and arrangements for preventing human rights abuses and any measures taken to mitigate, manage and repair possible abuses that have materialised.

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	-	61	-
102-16	3.1. Mission, vision and values 6.3. Business ethics	- -	24 132	- -
102-17	3.3 Stakeholder engagement 6.3. Business ethics	- -	32 132	- -
412-2	5.1 CSR management 5.3 The team	- Job training	52 73	- -
412-1	5.3 The team	- Zero tolerance stance on child and forced labour	61 71	-

Contents: Claims of humans rights abuses.

GRI standard	Section	Subsection	Page	Comments
406-1	6.3. Business ethics	-	132	-

Contents: Promotion of and compliance with the provisions contained in the **International Labour Organisation's fundamental conventions** on the freedom of association and the right to collective bargaining.

GRI standard	Section	Subsection	Page	Comments
407-1	5.3 The team	Collective bargaining	71	-

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Contents: The **elimination of workplace discrimination**

GRI standard	Section	Subsection	Page	Comments
103	5.3 The team	Zero tolerance of discrimination	70	-
406-1	6.3. Business ethics	-	132	-

Contents: The **elimination of forced or compulsory labour**

GRI standard	Section	Subsection	Page	Comments
409-1	5.3 The team 5.6. Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92	-

Contents: The **effective abolition of child labour**

GRI standard	Section	Subsection	Page	Comments
408-1	5.3 The team 5.6. Suppliers	Zero tolerance stance on child and forced labour CSR in the supply chain	71 92	-

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ASPECT: CORRUPTION AND BRIBERY

Contents: Measures taken to **prevent** corruption and bribery

GRI standard	Section	Subsection	Page	Comments
103	5.1 CSR management 6.3. Business ethics 6.4. Risk management	- - -	52 132 134	-
102-16	3.1. Mission, vision and values 6.3. Business ethics	- -	90 132	-
102-17	3.3 Stakeholder engagement 6.3. Business ethics	- -	32 132	-
205-2	3.3 Stakeholder engagement	Global rollout of the CSR Workshops	35	-
205-3	6.3. Business ethics	-	132	-

Contents: Measures taken to combat money laundering

GRI standard	Section	Subsection	Page	Comments
205-2	6.3. Business ethics 6.4. Risk management	- Criminal risk prevention model	132 134	-

Contents: Contributions to non-profit entities.

GRI standard	Section	Subsection	Page	Comments
413-1	5.8 Community	-	112	-

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ASPECT: SOCIETY

Contents: Commitment to sustainable development

1) **Impact** of the undertaking's activities on society in terms of **employment and local development.**

GRI standard	Section	Subsection	Page	Comments
103	5.8 Community	-	109	-
203-2	5.8 Community	-	109	-
413-1	5.8 Community	-	109	-

2) **Impact** of the undertaking's activities on society in terms of **local communities and territories.**

GRI standard	Section	Subsection	Page	Comments
203-2	5.8 Community	-	109	-
413-1	5.8 Community	-	109	-

3) **Engagement** with local community representatives; communication channels in place.

GRI standard	Section	Subsection	Page	Comments
102-42	3.3 Stakeholder engagement	-	32	-
102-43	3.3 Stakeholder engagement	-	32	-
413-1	5.8 Community	-	109	-

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4) Membership of associations and sponsorships.

GRI standard	Section	Subsection	Page	Comments
102-12	5.1 CSR management	-	52	-
102-13	5.8 Community	Institutional relations	109, 115	-

Contents: Outsourcing and suppliers

1) Inclusion in the **purchasing policy** of social, gender equality and environmental matters.
2) Contemplation in **relations with suppliers and subcontractors** of their social and environmental records.

GRI standard	Section	Subsection	Page	Comments
102-9	5.6. Suppliers	-	87	-
103	5.6. Suppliers	-	87	-
308-1	5.6. Suppliers	Supplier certification	89	-
414-1	5.6. Suppliers	Standardised and objective selection CSR in the supply chain	88 92	- -

3) **Supervision and audit** systems and their outcomes.

GRI standard	Section	Subsection	Page	Comments
103	5.6. Suppliers	Supplier audits	92	-

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Contents: Consumers

1) Consumer health and safety measures.

GRI standard	Section	Subsection	Page	Comments
103	5.2 Customers	Total quality	57	CIE Automotive complies with all consumers health and safety requirements. Therefore, this content is not considered material for the Group and related information is not included in this report.

2) Consumer claims, complaints and remediation systems.

GRI standard	Section	Subsection	Page	Comments
103	5.2 Customers	Confidentiality	58	-

Contents: Tax information

1) Profits by country Income taxes paid.

GRI standard	Section	Subsection	Page	Comments
103	2.1 2018 in review	Tax information	14	-
	5.8 Community	Value generated and distributed	110	
201-1	2.1 2018 in review	Value generated and distributed	15	-
	5.6 Suppliers	-	87	
	5.8 Community	Value generated and distributed	110	

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2) Government grants received.

GRI standard	Section	Subsection	Page	Comments
201-4	2.1 2018 in review	Tax information	14	-

ASPECT: OTHER MEANINGFUL INFORMATION

Contents: Other company profile information

GRI standard	Section	Subsection	Page	Comments
102-5	7.2. Contact data	-	144	-
102-10	2.1 2018 in review	Capex and acquisitions	9	-
	5.6. Suppliers	-	87	

Contents: Corporate Governance

GRI standard	Section	Subsection	Page	Comments
102-18	5.1 CSR management 6.2. Governance bodies	- Board of directors	52 122	-
102-19	5.1 CSR management	Policy and how it works	54	-
102-20	5.1 CSR management	Policy and how it works	54	-
	7.2. Contact data	-	144	
102-21	3.3 Stakeholder engagement	Materiality assessment	34	-
102-22	6.2. Governance bodies	Board of directors	122	-
102-23	6.2. Governance bodies	Board of directors	122	-

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102-24	6.2. Governance bodies	Board of directors	122	-
102-25	6.2. Governance bodies 6.3. Business ethics	Conflicts of interest -	129 132	-
102-26	6.2. Governance bodies	Board of directors	122	-
102-27	5.1 CSR management 6.2. Governance bodies	Policy and how it works Board of directors	54 122	-
102-28	6.2. Governance bodies	Director performance evaluation	129	-
102-29	6.4. Risk management	-	134	-
102-30	6.4. Risk management	-	134	-
102-31	3.3 Stakeholder engagement 5.1 CSR management	Materiality assessment -	34 52	-
102-32	5.1 CSR management	Policy and how it works	54	-
102-33	6.3. Business ethics	-	132	-
102-34	6.3. Business ethics	-	132	-
102-37	6.2. Governance bodies	2018 AGM Resolutions Director Remuneration Policy	121 131	-

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Contents: Stakeholder participation

GRI standard	Section	Subsection	Page	Comments
102-40	3.3 Stakeholder engagement	-	32	-
102-42	3.3 Stakeholder engagement	-	32	-
102-44	3.3 Stakeholder engagement	Materiality assessment	34	-

Contents: Other useful information on the preparation of the document

GRI standard	Section	Subsection	Page	Comments
102-45	3.2. Business model	Multiple locations	27	-
102-46	3.3 Stakeholder engagement	Materiality assessment	34	-
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102-48	7.1. Methodology	-	143	-
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Contents: GRI 201: Economic performance 2016

GRI standard	Section	Subsection	Page	Comments
201-1	2.1 2018 in review 5.6 Suppliers 5.8 Community	Value generated and distributed - Value generated and distributed	15 87 110	-
201-3	5.3 The team	Obligations to employees	68	-

Contents: GRI 202: Market presence 2016

GRI standard	Section	Subsection	Page	Comments
202-1	5.3 The team	- Decent work Zero tolerance of discrimination	61 64 70	-
202-2	5.3 The team	Decent work	64	-

Contents:GRI 204: Procurement practices 2016

GRI standard	Section	Subsection	Page	Comments
204-1	5.6. Suppliers	Supply chain management	96	-

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Contents: GRI 307: Environmental compliance 2016

GRI standard	Section	Subsection	Page	Comments
307-1	5.2 Costumers 5.7 Environmental management	Total quality Non-compliance with environmental laws and regulations	58 108	-

Contents: GRI 401: Employment 2016

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401-3	5.3 The team	Decent work	64	-

Contents: GRI 402: Labor/Management relations 2016

GRI standard	Section	Subsection	Page	Comments
402-1	5.3 The team	Collective bargaining	71	-

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GRI standard	Section	Subsection	Page	Comments
403-1	5.3 The team	Collective bargaining	71	-

Contents: GRI 404: Trainning and education 2016

GRI standard	Section	Subsection	Page	Comments
404-2	5.3 The team	Career development Job training	72 73	-
404-3	5.3 The team	Decent work	64	-

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Contents:GRI 415: Public Policy 2016

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415-1	5.8 Community	Institutional relations	115	-

Contents:GRI 419-1: Social and economic area compliance 2016

GRI standard	Section	Subsection	Page	Comments
419-1	6.1. Corporate governance principles	-	118	-

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7.6. GRI Standard Content Index [102-56]



CIE AUTOMOTIVE, S.A.

Independent Verification Report
31 December 2018

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Free translation from the original in Spanish. In the event of a discrepancy, the Spanish language version prevails.

INDEPENDENT VERIFICATION REPORT

To the shareholders of CIE Automotive, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Consolidated Non-Financial Statement ("NFS") for the year ended 31 December 2018 of CIE Automotive, S.A. and its subsidiary companies (hereinafter CIE, the entity or the Group) which forms part of CIE's Consolidated Directors' Report (hereinafter CDR).

The content of the NFS includes additional information to that required by current non-financial reporting regulations which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table included in the section 7.5 named "Traceability of compliance with the law on Non-financial information and Diversity" in the accompanying NFS.

Responsibility of the Board of Directors

The preparation of the NFS included in CIE's Consolidated Directors' Report and the content thereof are the responsibility of the Board of Directors of CIE Automotive, S.A. The NFS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") described in accordance with the Essential Option, in line with the details provided for each matter in the table included in the section 7.5 named "Traceability of compliance with the law on Non-financial information and Diversity" and in the table included in the section 7.4 titled "GRI Table" in said NFS.

This responsibility also includes the design, implementation and maintenance of internal control considered necessary to allow the NFS to be free of material impropriety, due to fraud or error.

The directors of CIE are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to FY 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited guarantee engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable guarantee engagement. Accordingly, the assurance provided is substantially lower.

Our work has consisted of posing questions to Management and several CIE´s units that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CIE personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the content included in the NFS for 2018 based on the materiality analysis carried by CIE, considering the content required under current commercial legislation.

- Analysis of the procedures used to compile and validate the information presented in NFS for 2018.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for 2018.

Verification, by means of tests, through sample testing, of the information relating to the content of the NFS for 2018 and its adequate compilation using data supplied by CIE's information sources.
- Obtainment of a management representation letter from the Directors and Management.

Basis for a conclusion with qualifications

As explained in the section "Traceability of compliance with the law on Non-financial information and Diversity" of the NFS, the Group has included information regarding the average number of contracts, dismissals, remunerations and training, although not all of the breakdowns required by article 49 of the Commercial Code such as: breakdown of sex, age, category and type of working day in the average of contracts, age and category in the dismissals, age and category in remunerations and category in the hours of training .

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Conclusion with qualifications

Based on the procedures performed and on the evidence we have obtained, except for the effects of the matters described in the paragraph "Basis for a conclusion with qualifications", no additional aspects have come to our attention that would lead us to believe that the NFS of CIE Automotive, S.A. and its subsidiaries for the year ended 31 December 2018 has not been prepared, in all relevant aspects, in accordance with the terms of current mercantile legislation and following the criteria of GRI standards in accordance with the Essential Option as described for each area in the table included in section 7.5 called "Traceability of compliance of the law on Non-financial information and Diversity" and in the table included in the section 7.4 titled "GRI Table" of the above mentioned NFS

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Pablo Bascones

22 February 2019

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CIE Automotive

